

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.





# U.S. Department of Agriculture

**VOL. 2**

## 1989 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

Animal and Plant Health Inspection Service  
Agricultural Marketing Service  
Funds for Strengthening Markets,  
Income, and Supply (Section 32)  
Office of Transportation  
Federal Grain Inspection Service  
Agricultural Cooperative Service  
Packers and Stockyards Administration  
Food Safety and Inspection Service  
  
Economic Research Service  
National Agricultural Statistics Service  
World Agricultural Outlook Board

Office of International  
Cooperation and Development  
Foreign Agricultural Service  
Public Law 480  
Agricultural Stabilization and  
Conservation Service  
Commodity Credit Corporation

Human Nutrition Information Service  
Food and Nutrition Service

General Provisions





C O N T E N T S  
(Volume 2)

	<u>Page</u>
Animal and Plant Health Inspection Service .....	15-1
Salaries and Expenses .....	15-7
Buildings and Facilities .....	15-27
Agricultural Marketing Service .....	16-1
Marketing Services .....	16-7
Payments to States and Possessions .....	16-18
Perishable Agricultural Commodities Act Fund .....	16-21
Limitation on Administrative Expenses .....	16-24
Funds for Strengthening Markets, Income, and Supply (Section 32) ....	17-1
Office of Transportation .....	18-1
Federal Grain Inspection Service .....	19-1
Salaries and Expenses .....	19-5
Inspection and Weighing Services .....	19-9
Agricultural Cooperative Service .....	20-1
Packers and Stockyards Administration .....	21-1
Food Safety and Inspection Service .....	22-1
Economic Research Service .....	23-1
National Agricultural Statistis Service .....	24-1
World Agricultural Outlook Board .....	25-1
Office of International Cooperation and Development .....	26-1
Salaries and Expenses .....	26-5
Scientific Activities Overseas (Foreign Currency Program) .....	26-10
Foreign Agricultural Service .....	27-1
Public Law 480 .....	28-1
Agricultural Stabilization and Conservation Service .....	29-1
Salaries and Expenses .....	29-10
Dairy Indemnity Program .....	29-22
Agricultural Conservation Program .....	29-26
Colorado River Basin Salinity Control Program .....	29-32
Water Bank Program .....	29-38
Emergency Conservation Program .....	29-42
Forestry Incentives Program .....	29-47
Rural Clean Water Program .....	29-52
Commodity Credit Corporation .....	30-1
Reimbursement for Net Realized Losses .....	30-5
National Wool Act .....	30-32
Conservation Reserve Program .....	30-36
Temporary Emergency Food Assistance Program .....	30-44
General Sales Manager .....	30-47
Human Nutrition Information Service .....	31-1
Food and Nutrition Service .....	32-1
Child Nutrition Programs .....	32-14
Special Milk Program .....	32-22
Supplemental Feeding Programs .....	32-25
Food Stamp Program .....	32-32
Nutrition Assistance for Puerto Rico .....	32-39
Cash and Commodities for Selected Groups .....	32-41
Food Program Administration .....	32-45
General Provisions .....	33-1



## ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Purpose Statement

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953 and other authorities. The primary mission of APHIS is to protect the animal and plant resources of the Nation from diseases and pests in order to preserve the marketability of U.S. agricultural products within this country and abroad. The mission is carried out under three major areas of activity:

1. Animal and plant disease and pest control: The Agency conducts inspection and quarantine activities at U.S. ports-of-entry to prevent the introduction of exotic animal and plant diseases and pests; survey, diagnostic, and inspection activities in the United States to locate and prevent the spread of agricultural pests and diseases; control and eradication programs to combat new endemic infestations and animal disease threaten the United States. The Agency also participates in inspection, survey, and control activities in foreign countries to reinforce its domestic activities.
2. Animal damage control: The Agency carries out a cooperative program to reduce agricultural losses caused by predatory animals, birds, and rodents; conducts control operations for target species on Federal, State, and private lands; provides technical assistance to other cooperators such as States, counties, and farmer or rancher groups; conducts basic and applied research aimed at reducing economic damage from vertebrate animals.
3. Other regulatory activities: The Agency performs other regulatory activities, including the development of standards for and licensing and testing of veterinary biologicals to ensure their safety and effectiveness; inspection of certain establishments which handle animals intended for research, exhibition, and pet purposes, to ensure their humane treatment; regulation of the import and export of endangered species; and regulation of biotechnology product.

As of September 30, 1987, there were 4,601 permanent full-time and 984 part-time employees. Of the total, 663 full-time employees and 57 part-time employees work in central offices in the Washington metropolitan area. The field activities are managed on a national basis through 10 regional offices and 110 area offices. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. Most of the Service's work is conducted at field locations in the 50 States, Puerto Rico, Virgin Islands, Mexico, and Central America.

## ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses.....	\$311,467,000:	5,109:	\$329,330,000:	5,109:	294,243,000:	4,763
Buildings and Facilities.....	2,246,000:	--	2,246,000:	--	2,847,000:	--
Obligations under other						
USDA Appropriations						
Agricultural Cooperative						
Service for						
administrative support....	131,000:	3:	120,000:	2:	120,000:	2
Agricultural Marketing						
Service for						
administrative support						
and tobacco sample						
analysis.....	2,081,000:	45:	2,193,000:	45:	2,193,000:	45
Agricultural Research						
Service for administra-						
tive support, and						
predator control.....	89,255:	1:	89,147:	1:	89,147:	1
Agricultural Stabilization						
for Conservation Service						
for contamination and						
residue testing.....	384,427:	--	384,427:	--	384,427:	--
Commodity Credit						
Corporation for						
citrus canker emergency..	237,000:	2:	13,000:	--	0:	--
Federal Grain Inspection						
Service for administra-						
tive support.....	1,100,750:	31:	1,040,000:	31:	1,040,000:	32
Food Safety and Inspection						
Service for administra-						
tive support.....	14,049:	--	12,000:	--	12,000:	--
Human Nutrition Information						
Service for administra-						
tive support.....	61,917:	--	62,000:	--	62,000:	--
National Agricultural						
Statistical Service for						
maintenance of data						
processing facilities ..	14,237:	--	14,237:	--	14,237:	--
Office of International						
Cooperation and Develop-						
ment for employee						
services and training &						
animal damage control....	1,001,598:	21:	1,009,636:	21:	1,009,636:	21
Office of Inspector General						
for administrative						
support.....	26,984:	--	27,000:	--	27,000:	--

	1987		1988		1989	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Office of Transportation for administrative support.....	142,500:	3:	134,000:	3:	134,000:	--
Packers and Stockyards Administration for administrative support....	230,500:	6:	221,000:	6:	221,000:	--
Miscellaneous Reimbursements:	5,076:	--	5,076:	--	5,076:	--
Total, Agricultural Appropriations.....	319,233,293:	5,221:	336,900,523:	5,218:	302,401,523:	4,864
Other Federal Funds:						
Department of Energy for animal damage control activities.....	49,000:	1:	49,000:	1:	49,000:	1
Department of the Interior for animal damage control and research.....	365,488:	5:	365,488:	5:	365,488:	5
Department of Treasury for shuttle service.....	17,986:	1:	59,000:	3:	59,000:	3
Forest Service for gypsy moth control traps and sterility technique evaluation, administrative support & animal damage control....	459,387:	1:	58,000:	1:	58,000:	1
Environmental Protection Agency for evaluation activities for animal damage control.....	4,348:	--	--	--	--	--
Tennessee Valley Authority for animal damage control activities.....	17,000:	--	17,000:	--	17,000:	--
U.S. Air Force for animal damage control activities:	27,700:	1:	27,700:	1:	27,700:	1
U.S. Army for animal damage control activities.....	328,356:	7:	328,356:	7:	328,356:	7
U.S. Military Academy for for incineration of restricted waste.....	13,199:	--	13,199:	--	13,199:	--
U.S. Navy for overtime quarantine inspection....	80,000:	1:	70,000:	1:	70,000:	1
Total, Other Federal Funds:	1,362,464:	17:	987,743:	19:	987,743:	19
Non-Federal Funds:						
Funds derived from importers and exporters for import-export inspection, laboratory testing control and eradication services.....	13,692,348:	164:	14,004,839:	165:	14,023,672:	164
Funds from State and local governments for animal damage control activities:	2,291,000:	44:	2,312,000:	44:	13,744,000:	295

	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff :Years	Amount	Staff :Years	Amount	Staff :Years
Funds derived from States, local organizations and others for:						
Inspection, certifica- tion and quarantine of animal products.....	2,218:	--	2,000:	--	2,000:	--
Feed and attendants for animals in quarantine....	1,940,803:	24:	1,893,000:	24:	1,893,000:	24
Miscellaneous Contributed Funds.....	2,914,178:	42:	2,840,000:	42:	2,840,000:	42
Total, Non-Federal Funds.....	20,840,547:	274:	21,051,839:	275:	32,502,672:	525
Total, Animal and Plant Health Inspection Service..	341,436,304:	5,512:	359,940,105:	5,512:	335,891,938:	5,408

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Full-Time Equivalent Staff-Years:			
Ceiling .....	5,204	5,204	5,100
Non-Ceiling.....	308	308	308
Total.....	<u>5,512</u>	<u>5,512</u>	<u>5,408</u>

## ANIMAL AND PLANT HEALTH INSPECTION SERVICE

## Permanent Positions by Grade and Staff-Years Summary

## 1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	:Headquarters:	Field:	Total:	:Headquarters:	Field:	Total:	:Headquarters:	Field:	Total:
ES-6	1	--	1:	1	--	1:	1	--	1
ES-5	3	1:	4:	3	1:	4:	3	1:	4
ES-4	6	--	6:	6	--	6:	6	--	6
ES-3	3	4:	7:	3	4:	7:	3	4:	7
ES-2	1	1:	2:	1	1:	2:	1	1:	2
ES-1	1	3:	4:	1	3:	4:	1	3:	4
GS-16	1	--	1:	--	--	--	--	--	--
GS/GM-15	35	20:	55:	35	20:	55:	34	20:	54
GS/GM-14	98	89:	187:	98	89:	187:	96	87:	183
GS/GM-13	81	155:	236:	81	155:	236:	79	152:	231
GS-12	67	468:	535:	67	468:	535:	66	459:	525
GS-11	45	433:	478:	45	433:	478:	44	424:	468
GS-9	44	907:	951:	44	907:	951:	43	890:	933
GS-8	5	9:	14:	5	9:	14:	5	9:	14
GS-7	52	588:	640:	52	588:	640:	51	576:	627
GS-6	59	102:	161:	59	102:	161:	58	100:	158
GS-5	77	478:	555:	77	478:	555:	75	468:	543
GS-4	43	447:	490:	43	447:	490:	42	438:	480
GS-3	22	129:	151:	22	129:	151:	22	126:	148
GS-2	4	8:	12:	4	8:	12:	4	8:	12
Other Graded Positions.....	14	243:	257:	14	243:	257:	14	238:	252
Ungraded Positions.....	1	278:	279:	1	278:	279:	1	272:	273
Total Permanent Positions..	663	:4,363:5,026:	:4,363:5,025:	662	:4,363:5,025:	:4,363:5,025:	649	:4,276:4,925	
Staff Years:									
Ceiling.....	686	:4,518:5,204:	:4,518:5,204:	686	:4,518:5,204:	:4,518:5,204:	672	:4,428:5,100	
Non-Ceiling.....	41	:267:308:	:267:308:	41	:267:308:	:267:308:	41	:267:308	
TOTAL.....	727	:4,785:5,512:	:4,785:5,512:	727	:4,785:5,512:	:4,785:5,512:	713	:4,695:5,408	



ANIMAL AND PLANT HEALTH INSPECTION SERVICE  
CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$25,233,211	\$27,380,000	\$25,156,000
Field.....	<u>108,681,051</u>	<u>117,930,000</u>	<u>108,350,000</u>
11 Total personnel compensation.....	133,914,262	145,310,000	133,506,000
12 Personnel benefits.....	23,791,965	27,189,000	24,896,000
13 Benefits for former personnel.....	<u>304,257</u>	<u>306,000</u>	<u>368,000</u>
Total personnel compensation and benefits.....	158,010,484	172,805,000	158,770,000
Other Objects:			
21 Travel.....	10,791,065	11,361,000	10,441,000
22 Transportation of things.....	3,351,678	3,997,000	3,085,000
23.2 Rental payments to others....	3,100,309	3,210,000	3,048,000
23.3 Communications, utilities, and miscellaneous charges..	11,661,539	11,848,000	11,025,000
24 Printing and reproduction....	633,182	873,000	859,000
25 Other services.....	53,993,285	58,166,041	49,121,000
26 Supplies and material.....	20,669,355	21,412,000	15,214,000
31 Equipment.....	14,534,971	15,272,000	11,344,000
32 Lands and structures.....	7,996,906	2,459,000	3,459,000
41 Grants, contributions, subsidies.....	28,286,503	25,219,000	25,219,000
42 Insurance claims and indemnities.....	4,471,477	7,035,000	6,117,000
Total other objects.....	<u>159,490,270</u>	<u>160,852,041</u>	<u>138,932,000</u>
Total direct obligations.....	<u>317,500,754</u>	<u>333,657,041</u>	<u>297,702,000</u>
 <u>Position Data:</u>			
Average Salary, ES positions.....	\$70,196	\$70,763	\$70,918
Average Salary, GM/GS positions.....	\$26,537	\$26,935	\$27,070
Average Grade, GM/GS positions.....	8.47	8.47	8.47



## ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored; deleted matter is enclosed in brackets):

Salaries and Expenses:

- For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; to discharge the authorities of the Secretary of Agriculture under the Act of March 2, 1931 (46 Stat. 1468; 7 U.S.C. 426-426b); and to protect the environment, as authorized by law, [~~\$329,330,000~~] \$294,243,000; of which
- 1 [~~\$4,500,000~~] \$5,000,000 shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions: Provided, [That
  - 2 \$1,000,000 of the funds for control of the fire ant shall be placed in reserve for matching purposes with States which may come into the program: Provided further], That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 per centum: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$40,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed two, of which one shall be for replacement only: Provided further, That uniform allowances for each uniformed employee of the Animal and Plant Health Inspection Service shall not be in excess of \$400 annually: Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious diseases or pests of animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds
  - 3 shall be merged with such transferred amounts[: Provided further, That hereafter, the Secretary of Agriculture is authorized, except for urban rodent control, to conduct activities and to enter into agreements with States, local jurisdictions, individuals, and public and private agencies, organizations, and institutions in the control of nuisance mammals and birds and those mammal and bird species that are reservoirs for zoonotic diseases, and to deposit any money collected under any such agreement into the appropriation accounts that incur the costs to be available immediately and to remain available until expended for Animal Damage Control activities].

The first change increases the amount in the APHIS contingency fund from \$4,500,000 in FY 1988 to \$5,000,000 in FY 1989. The FY 1989 level of funding will enable the Agency to meet most small scale plant and animal pest or disease emergencies as they occur.

The second change eliminates the language that places funds in reserve for the imported fire ant control matching program. The FY 1989 budget does not provide funds for an imported fire ant program.

The third change deletes language for Animal Damage Control activities permanently authorized by the Rural Development, Agriculture, and Related Agencies Appropriation Act, 1988, P.L. 100-202.

SALARIES AND EXPENSES

Appropriation Act, 1988.....	\$329,330,000
Budget Estimate, 1989.....	294,243,000
Decrease in Appropriation.....	<u>-35,087,000</u>

SUMMARY OF INCREASES AND DECREASES  
(on basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Agricultural quarantine inspection.....	\$60,040,000	+\$6,428,000	\$66,468,000
International programs (plant).....	2,110,000	+416,000	2,526,000
Pest detection.....	3,928,000	+538,000	4,466,000
Africanized honey bee.....	0	+1,950,000	1,950,000
Biocontrol.....	4,318,000	-1,000,000	3,318,000
Boll weevil.....	12,079,000	-11,866,000	213,000
Golden nematode.....	1,018,000	-1,018,000	0
Grasshopper and Mormon cricket.....	3,850,000	-685,000	3,165,000
Reserve fund.....	5,000,000	-5,000,000	0
Imported fire ant.....	5,000,000	-5,000,000	0
Noxious weeds.....	443,000	-443,000	0
Pink bollworm.....	1,700,000	-613,000	1,087,000
Animal disease detection.....	3,052,000	+1,958,000	5,010,000
International programs (animal).....	2,034,000	+296,000	2,330,000
Veterinary diagnostics..	10,867,000	+1,504,000	12,371,000
Brucellosis.....	65,617,000	-9,776,000	55,841,000
Poultry diseases.....	825,000	-182,000	643,000
Pseudorabies.....	2,400,000	-1,400,000	1,000,000
Animal welfare.....	6,197,000	-1,275,000	4,922,000
Animal damage control...	24,419,000	-11,419,000	13,000,000
Biotechnology.....	4,000,000	+1,000,000	5,000,000
Contingency fund.....	4,500,000	+500,000	5,000,000
Unobligated balance available.....	-1,868,041	+1,868,041	0
All other.....	107,801,041	-1,868,041	105,933,000
Total Available.....	<u>\$329,330,000</u>	<u>-\$35,087,000</u>	<u>\$294,243,000</u>

PROJECT STATEMENT  
(On basis of adjusted appropriation)

PROJECT	1987		1988		Increase or Decrease	1989	
	Actual	Staff:	Estimated	Staff:		Estimated	Staff:
	Amount	Years:	Amount	Years:		Amount	Years:
1. Plant disease and pest control:							
Agricultural quarantine inspection.....	\$52,912,000:	1,579:	\$60,040,000:	1,614:	+\$6,428,000	\$66,468,000:	1,681:
International programs.....	2,045,000:	26:	2,110,000:	26:	+416,000	2,526,000:	32:
Pest detection.....	3,806,000:	70:	3,928,000:	65:	+538,000	4,466,000:	73:
Plant protection programs:							
Africanized Honey Bee	--:	--:	--:	--:	+1,950,000	1,950,000:	10:
Biocontrol.....	3,172,000:	70:	4,318,000:	70:	-1,000,000	3,318,000:	70:
Boll weevil.....	10,919,000:	99:	12,079,000:	89:	-11,866,000	213,000:	4:
Golden nematode....	968,000:	25:	1,018,000:	25:	-1,018,000	--:	--:
Grasshopper & Mormon cricket..	6,751,000:	42:	8,850,000:	42:	-5,685,000	3,165,000:	24:
Gypsy moth.....	5,172,000:	124:	5,442,000:	119:	--	5,442,000:	124:
Imported fire ant.:	5,134,000:	28:	5,000,000:	28:	-5,000,000	--:	--:
Mediterranean fruit fly.....	9,167,000:	117:	9,706,000:	107:	--	9,706,000:	117:
Mexican fruit fly..	1,481,000:	46:	1,553,000:	46:	--	1,553,000:	46:
Miscellaneous plant pests.....	1,091,000:	15:	1,124,000:	15:	--	1,124,000:	15:
Noxious weeds.....	750,000:	5:	443,000:	5:	-443,000	--:	--:
Pink bollworm.....	2,073,000:	34:	1,700,000:	29:	-613,000	1,087,000:	18:
Witchweed.....	4,522,000:	77:	5,281,000:	77:	--	5,281,000:	77:
Total, Plant disease and pest control.....	109,963,000:	2,357:	122,592,000:	2,357:	-16,293,000(1):	106,299,000:	2,291:
2. Animal disease and pest control:							
Animal disease detection.....	2,931,000:	39:	3,052,000:	39:	+1,958,000	5,010,000:	61:
Animal health compliance and enforcement.....	13,442,000:	348:	14,694,000:	348:	--	14,694,000:	348:
Import-export inspection.....	8,206,000:	184:	8,604,000:	184:	--	8,604,000:	184:
International programs.....	1,944,000:	30:	2,034,000:	30:	+296,000	2,330,000:	33:
Veterinary biologics.....	8,324,000:	150:	8,641,000:	150:	--	8,641,000:	150:
Veterinary diagnostics.....	10,550,000:	167:	10,867,000:	167:	+1,504,000	12,371,000:	175:
Animal health programs:							
Brucellosis.....	66,540,000:	787:	65,617,000:	761:	-9,776,000	55,841,000:	700:
Cattle ticks.....	5,979,000:	138:	6,258,000:	138:	--	6,258,000:	138:
Foot-and-mouth disease (Darren Gap)....	2,619,000:	10:	3,053,000:	10:	--	3,053,000:	10:
Miscellaneous animal diseases.....	1,927,000:	28:	1,998,000:	28:	--	1,998,000:	28:
National poultry improvement plan.....	211,000:	3:	219,000:	3:	--	219,000:	3:
Poultry diseases.....	610,000:	8:	825,000:	8:	-182,000	643,000:	8:
Pseudorabies.....	1,500,000:	8:	2,400,000:	8:	-1,400,000	1,000,000:	8:
Screwworm.....	31,639,000:	100:	32,045,000:	100:	--	32,045,000:	100:
Swine health protection.....	3,123,000:	71:	3,265,000:	71:	--	3,265,000:	71:
Tuberculosis eradication.....	3,772,000:	43:	3,889,000:	43:	--	3,889,000:	43:
Animal welfare.....	5,937,000:	146:	6,197,000:	146:	-1,275,000	4,922,000:	126:
Horse protection.....	154,000:	8:	161,000:	4:	--	161,000:	4:
Total, Animal disease and pest control.....	169,408,000:	2,268	173,819,000:	2,238:	-8,875,000(2):	164,944,000:	2,190:

PROJECT	1987		1988		Increase or Decrease	1989	
	Actual	Staff:	Estimated	Staff:		Estimated	Staff:
	Amount	Years	Amount	Years		Amount	Years
3. Animal Damage Control:	22,096,000:	484:	24,419,000:	484:	-11,419,000(3):	13,000,000:	242
4. Biotechnology.....	--:	--:	4,000,000:	30:	+1,000,000(4):	5,000,000:	40
5. Contingencies:	:	:	:	:	:	:	:
(a) Plant disease and	:	:	:	:	:	:	:
pest control:....	5,000,000:	--:	2,250,000:	--:	+250,000	2,500,000:	--
(b) Animal disease and	:	:	:	:	:	:	:
pest control:....	5,000,000:	--:	2,250,000:	--:	+250,000	2,500,000:	--
Total, Contingencies..	10,000,000:	--:	4,500,000:	--:	+500,000(5):	5,000,000:	--
Total, Available or	:	:	:	:	:	:	:
estimated,	:	:	:	:	:	:	:
appropriated funds.....	311,467,000:	5,109:	329,330,000:	5,109:	-35,087,000	294,243,000:	4,763
6. Advances and	:	:	:	:	:	:	:
Reimbursements:	:	:	:	:	:	:	:
(a) Plant disease and	:	:	:	:	:	:	:
pest control:....	:	:	:	:	:	:	:
Citrus canker..	237,000:	2:	13,000:	--:	-13,000	--:	--
Other.....	15,099,761:	186:	14,480,635:	188:	+19,365	14,500,000:	188
Total.....	15,336,761:	188:	14,493,635:	188:	+6,365	14,500,000:	188
(b) Animal disease and	:	:	:	:	:	:	:
pest control:....	2,307,021:	32:	2,487,532:	32:	+12,468	2,500,000:	32
(c) Animal damage	:	:	:	:	:	:	:
control.....	5,222,323:	117:	5,647,938:	117:	+11,419,000	17,066,938:	359
Total, Advances	:	:	:	:	:	:	:
and reimbursements.....	22,866,105:	337:	22,629,105:	337:	+11,437,833	34,066,938:	579
Total, Available or	:	:	:	:	:	:	:
estimated.....	334,333,105:	5,446:	351,959,105:	5,446:	-23,649,167	328,309,938:	5,342
Receipts from Advances	:	:	:	:	:	:	:
and reimbursements.....	-22,866,105:-	337:-	-22,629,105:-	337:-	-11,437,833	-34,066,938:-	-579
Total, Appropriation.....	311,467,000:	5,109:	329,330,000:	5,109:	-35,087,000	294,243,000:	4,763

PROJECT STATEMENT  
(On basis of available funds)

PROJECT	1987		1988		Increase or Decrease	1989	
	Actual	Staff	Estimated	Staff		Estimated	Staff
	Amount	Years	Amount	Years		Amount	Years
1. Plant disease and pest control:							
Agricultural quarantine inspection.....	\$55,135,252	1,579	\$60,040,000	1,614	+\$6,428,000	\$66,468,000	1,681
International programs.....	1,864,263	26	2,110,000	26	+416,000	2,526,000	32
Pest detection.....	4,076,086	70	3,928,000	65	+538,000	4,466,000	73
Plant protection programs:							
Africanized Honey Bee	--	--	--	--	+1,950,000	1,950,000	10
Biocontrol.....	3,121,665	70	4,318,000	70	-1,000,000	3,318,000	70
Boll weevil.....	10,741,338	99	12,079,000	89	-11,866,000	213,000	4
Golden nematode....	812,795	25	1,018,000	25	-1,018,000	--	--
Grasshopper & (a)							
Mormon cricket..	8,381,079	42	10,718,041	42	-7,553,041	3,165,000	24
Gypsy moth.....	5,138,450	124	5,442,000	119	--	5,442,000	124
Imported fire ant.	2,887,369	28	5,000,000	28	-5,000,000	--	--
Mediterranean fruit fly.....	9,603,600	117	9,706,000	107	--	9,706,000	117
Mexican fruit fly..	1,474,837	46	1,553,000	46	--	1,553,000	46
Miscellaneous plant pests.....	860,099	15	1,124,000	15	--	1,124,000	15
Noxious weeds.....	655,890	5	443,000	5	-443,000	--	--
Pink bollworm.....	1,733,155	34	1,700,000	29	-613,000	1,087,000	18
Witchweed.....	4,655,803	77	5,281,000	77	--	5,281,000	77
Total, Plant disease and pest control.....	111,141,681	2,357	124,460,041	2,357	-18,161,041(1)	106,299,000	2,291
2. Animal disease and pest control:							
Animal disease detection.....	2,743,744	39	3,052,000	39	+1,958,000	5,010,000	61
Animal health compliance and enforcement.....	15,309,104	348	14,694,000	348	--	14,694,000	348
Import-export inspection.....	8,609,716	184	8,604,000	184	--	8,604,000	184
International programs.....	1,825,928	30	2,034,000	30	+296,000	2,330,000	33
Veterinary biologics.....	7,834,398	150	8,641,000	150	--	8,641,000	150
Veterinary diagnostics.....	12,326,591	167	10,867,000	167	+1,504,000	12,371,000	175
Animal health programs:							
Brucellosis.....	64,228,875	787	65,617,000	761	-9,776,000	55,841,000	700
Cattle ticks.....	6,360,306	138	6,258,000	138	--	6,258,000	138
Foot-and-mouth disease (Darien Gap)....	2,540,766	10	3,053,000	10	--	3,053,000	10
Miscellaneous animal diseases.....	1,624,788	28	1,998,000	28	--	1,998,000	28
National poultry improvement plan.....	140,130	3	219,000	3	--	219,000	3
Poultry diseases.....	455,631	8	825,000	8	-182,000	643,000	8
Pseudorabies.....	1,455,660	8	2,400,000	8	-1,400,000	1,000,000	8
Screwworm.....	30,467,876	100	32,045,000	100	--	32,045,000	100
Swine health protection.....	3,126,829	71	3,265,000	71	--	3,265,000	71
Tuberculosis eradication.....	3,068,564	43	3,889,000	43	--	3,889,000	43
Animal welfare.....	6,624,696	146	6,197,000	146	-1,275,000	4,922,000	126
Horse protection.....	312,408	8	161,000	4	--	161,000	4
Total, Animal disease and pest control.....	169,056,010	2,268	173,819,000	2,238	-8,875,000(2)	164,944,000	2,190



PROJECT	1987		1988		Increase or Decrease	1989	
	Actual Amount	Staff: Years	Estimated Amount	Staff: Years		Estimated Amount	Staff: Years
3. Animal Damage Control:	22,449,363:	484:	24,419,000:	484:	-11,419,000(3):	13,000,000:	242
4. Biotechnology.....	--:	--:	4,000,000:	30:	+1,000,000(4):	5,000,000:	40
5. Contingencies:							
(a) Plant disease and pest control:....	6,065,000:	--:	2,250,000:	--:	+250,000	2,500,000:	--
(b) Animal disease and pest control:....	791,794:	--:	2,250,000:	--:	+250,000	2,500,000:	--
Total, Contingencies..	6,856,794:	--:	4,500,000:	--:	+500,000(5):	5,000,000:	--
Unobligated balance available, start of year.....	3,661,057:	--:	1,868,041:	--:	+1,868,041	--:	--
Unobligated balance available, end of year.....	1,868,041:	--:	--:	--:	--	--:	--
Unobligated balance lapsing.....	3,756,168:	--:	--:	--:	--	--:	--
Total, Available or estimated, appropriated funds.....	311,467,000:5,109:		329,330,000:5,109:		-35,087,000	294,243,000:4,763	
6. Advances and Reimbursements:							
(a) Plant disease and pest control:....							
Citrus canker..	237,000:	2:	13,000:	--:	-13,000	--:	--
Other.....	15,099,761:	186:	14,480,635:	188:	+19,365	14,500,000:	188
Total.....	15,336,761:	188:	14,493,635:	188:	+6,365	14,500,000:	188
(b) Animal disease and pest control:....	2,307,021:	32:	2,487,532:	32:	+12,468	2,500,000:	32
(c) Animal damage control.....	5,222,323:	117:	5,647,938:	117:	+11,419,000	17,066,938:	359
Total, Advances and reimbursements.....	22,866,105:	337:	22,629,105:	337:	+11,437,833	34,066,938:	579
Total, Available or estimated.....	334,333,105:5,446:		351,959,105:5,446:		-23,649,167	328,309,938:5,342	
Receipts from Advances and reimbursements.....	-22,866,105:-	337:-	-22,629,105:-	337:-	-11,437,833	-34,066,938:-	-579
Total, Appropriation.....	311,467,000:5,109:		329,330,000:5,109:		-35,087,000	294,243,000:4,763	

a/ FY 1987 - \$3,661,057 carryover available from prior year and \$5,000,000 from no-year fund.

FY 1988 - \$1,868,041 carryover available from prior year and \$5,000,000 from no-year fund.

FY 1989 - No carryover and no-year funds available.

## EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" for the Animal and Plant Health Inspection Service (APHIS) funds the following activities:

1. Plant disease and pest control --In cooperation with the States, APHIS carries out surveys to detect harmful pest and diseases, inspections to prevent spread of plant pests to noninfested areas of the country, and programs to eradicate new or established plant pests and diseases. An inspection program at ports of entry prevents the introduction of foreign plant and animal pests and diseases which are harmful to agriculture in the United States. APHIS also certifies plans and plant products for export and regulates imports and exports of designated endangered plant species.

The statutory authority supporting this program is contained in 7 U.S.C. 7-7b, 8, 11, 15, 17, and 55; and 49 U.S.C. 20. The principal legislative authority for these activities is the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976. The authority to control noxious weeds was enacted under P.L. 92-629, dated January 3, 1975. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973. The Airport and Airways Development Act, P.L. 94-353, Section 15(c), was enacted July 12, 1976.

The levels of plant disease and pest control detection activities are shown by the selected examples that follows:

	1987 Actual	1988 Estimate	1989 Estimate
Acres treated (thousands):			
Boll weevil (High Plains).....	311	673	--
Boll weevil (SE eradication).....	1,710	2,100	--
Boll weevil (SW eradication):			
Eradication zone.....	28	26	--
Buffer zone.....	43	40	--
Grasshopper.....	1,360	2,792	--
Gypsy moth.....	25	--	--
Imported fire ant.....	--	--	--
Sterile insects released (millions):			
Mexican fruit fly.....	654	650	650
Pink bollworm.....	664	639	639
Mediterranean fruit fly (Mexico and Central America).....	28,600	29,900	33,800
Parasites released (thousands):			
Colorado potato beetle.....	500	500	500
Citrus whitefly.....	25	--	--
Alfalfa weevil.....	466	300	100
Diffuse and spotted knapweed.....	3,000	1,000	1,000
Aphids predators.....	85	100	120
Total acres released from quarantine through eradication:			
Witchweed.....	14,823	25,000	22,000
Environmental monitoring and methods development:			
Imported fire ant:			
Sites monitored.....	243	--	--
Test plots conducted.....	75	50	--
Alternate chemicals/materials screened.....	11	10	--
Plant health emergencies:			
Citrus canker (Florida)			
Survey inspections.....	2,722,224	--	--
Plant sample taken.....	5,400	--	--
Plants destroyed.....	179,523	--	--
Control visits.....	408	--	--
Regulatory visits.....	96,039	--	--
Mediterranean fruit fly (Florida)			
Chemical treatment (acres).....	5,837	--	--
Sterile insects released (millions).....	162	--	--
Mediterranean fruit fly (California)			
Chemical treatment (acres).....	22,720	--	--
Sterile insects released (millions).....	165	420	--

The level of activity for agricultural quarantine inspection is as follows:

	1987 <u>Actual</u>	1988 <u>Estimate</u>	1989 <u>Estimate</u>
Plant and animal product and byproduct inspection:			
Airplanes (thousands).....	310	326	350
Vessels (thousands).....	46	47	48
Plant units processed (millions)...	250	261	275
Regulated and Miscellaneous cargo inspections conducted (thousands)...	848	890	932
Phytosanitary export certification:			
Certificates issued (thousands)...	153	160	168
Interceptions (thousands):			
Unauthorized plant material.....	1,118	1,174	1,233
Unauthorized animal products/byproducts.....	155	163	171
Unauthorized material:			
Mail.....	7.8	8.3	8.5
Baggage.....	936	1,082	1,102

2. Animal disease and pest control--APHIS conducts programs to prevent communicable diseases of foreign origin from entering the United States; rapidly diagnose foreign animal diseases, should they enter this country; and prevent the spread of diseases through interstate shipments of livestock or distribution of impure, unsafe, impotent, and nonefficacious veterinary biologics. In cooperation with States, the Agency conducts other programs to control and eradicate livestock diseases present in this country including new outbreaks of economic significance for which the Secretary of Agriculture declares a national emergency. The animal welfare program is designed to ensure humane care and handling of approximately 40 million warmblooded animals and restricts animal fighting ventures. The horse protection program is concerned with the practice of sorring horses so as to affect their gait.

The statutory authority for this work is contained in 7 U.S.C. 15, 17, 30, 54, 429, and 3801; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45; 46 U.S.C. 15; and 49 U.S.C. 20. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; The Animal Welfare Act; The Horse Protection Act; The Virus-Serum-Toxin Act of March 14, 1913; the Swine Health Protection Act of October 17, 1980; and Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; Public Law 99-198 of December 23, 1985.

The levels of activity for the major animal disease and pest control programs are as follows:

	1987 <u>Actual</u>	1988 <u>Estimate</u>	1989 <u>Estimate</u>
Animal Disease Detection:			
Domestic disease--NAHMS (Participating states).....	5	12	22
Exotic diseases and parasites:			
Investigation of suspicious cases...	213	275	300
Confirmed primary outbreaks:			
Exotic Newcastle disease (VVND).....	2	3	5
Screwworm detection and outbreak prevention.....	2	1	2
Animal Health Compliance and Enforcement:			
Inspections conducted at livestock markets and other concentration points.....	16,796	19,250	21,250
Inspections conducted at slaughter establishments.....	4,211	7,730	10,700
Cattle identified for disease surveillance (millions).....	15.3	15.8	16.2
Import Inspection:			
Animals (thousands).....	1,195	1,400	1,500
Personally owned pet birds.....	2,620	2,200	2,200
Commercial birds (thousands).....	717	650	650
Poultry (baby chicks & poults) (thousands).....	6,800	7,000	7,000
Poultry hatching eggs (thousands)...	29,000	25,000	25,000



	1987 Actual	1988 Estimate	1989 Estimate
Export Inspection:			
Cattle, swine, sheep, goats, and horses.....	201,411	221,600	221,600
Chickens (thousands).....	20,985	33,000	33,000
Dozens of hatching eggs (thousands).....	16,695	15,400	15,400
International Programs:			
Number of vesicular disease investigations in Mexico and Central American countries.....	394	415	430
Veterinary Biologics:			
Number of serials processed.....	9,975	10,000	10,000
Percent of serials tested for:			
Potency.....	23.75	25	25
Purity.....	12.93	13	13
Sterility.....	12.50	15	15
Safety.....	.62	1	1
Chemistry.....	.54	1	1
Number of inspections:			
Indepth.....	21	25	25
Follow-up.....	4	15	15
Special.....	35	15	15
Veterinary Diagnostics:			
Number of import-export health requirement tests conducted, NVSL...	111,500	115,000	115,000
Number of import-export health requirement tests conducted, FADDL..	15,000	20,000	20,000
Number of fraudulent blood screening tests conducted.....	107,000	112,000	118,000
Number of diagnostic tests conducted at NVSL.....	365,000	365,000	365,000
Number of differential diagnostic tests conducted at NVSL.....	160,000	160,000	160,000
Volume of reagents shipped (ml):			
Shipped by NVSL.....	3,100,000	3,200,000	3,200,000
Shipped by FADDL.....	2,000	200,000	200,000
Number of days of training provided:			
International students.....	1,400	1,400	1,400
Domestic students.....	1,100	1,100	1,100
Brucellosis:			
Cattle:			
Market cattle identification reactor rate (%).....	.23	.22	.20
Class Free status States.....	27	30	32
Class Free and A status States.....	1	1	--
Class A status States.....	18	16	16
Class B status States.....	5	4	3
Class B & C status States.....	1	1	1
Class C status States.....	1	1	1
Total number of quarantined herds at end of year.....	3,160	2,900	2,400
Swine:			
Percentage of eligible slaughter swine sampled.....	45	70	72
States with zero infection.....	32	34	35
Cattle Ticks:			
Infested premises under treatment outside of quarantine zone at end of FY--Texas.....	2	6	4
Infested premises under treatment inside quarantine zone at end of FY--Texas.....	4	12	10
Premises freed of ticks--Puerto Rico	17,375	49,105	56,421
Foot-and-Mouth Disease (Darien Gap):			
Number of vesicular disease investigations in Panama and Colombia.....	126	145	170
Miscellaneous Animal Diseases:			
Scrapie:			
Number of infected flocks found...	43	35	30
Number of exposed flocks under surveillance.....	239	220	180

	1987 <u>Actual</u>	1988 <u>Estimate</u>	1989 <u>Estimate</u>
National Poultry Improvement Plan:			
Number of States classified as U.S. Pullorum Typhoid Clean.....	32	33	36
Number of egg and meat-type breeding flocks in Plan.....	3,643	3,650	3,650
Number of water fowl, exhibition poultry and game bird breeding flocks in Plan.....	3,072	3,100	3,200
Number of States classified as U.S. Mycoplasma Gallisepticum Clean (turkey).....	7	8	9
Pseudorabies:			
States receiving APHIS assistance for pseudorabies eradication/control programs.....	6	30	0
Number of slaughter serum samples collected.....	147,801	239,000	239,000
Number of herds tested.....	5,693	7,250	7,250
Number of herds found infected.....	530	1,100	1,250
Screwworm:			
Cases in the United States.....	2	--	--
Cases in Mexican States bordering the United States.....	--	--	--
Sterile fly production--Tuxtla, Gutierrez, Mexico (millions weekly).....	250	250	250
Swine Health Protection:			
Number of garbage inspections.....	54,152	59,242	59,242
Number of violations of the SHP Act.....	2,026	2,000	2,000
Tuberculosis:			
States accredited free.....	29	33	35
Herds located.....	22	17	15
Herds depopulated (per year).....	12	10	12
Animal Welfare:			
Complaints investigated and resolved.....	694	725	800
Number of inspections conducted at licensees and/or registrants...	13,234	14,000	12,500
Number of inspections conducted at air terminals.....	1,942	3,000	2,500
Number of violations processed.....	322	400	400
Horse Protection:			
Staff days and/or nights of inspecting or monitoring horse shows and sales.....	686	500	500

3. Animal damage control--APHIS, under the authority of the Animal Damage Control Act of 1931, conducts research and carries out cooperative programs to control wildlife-caused losses to agriculture, safety hazards at airports, and public nuisances in urban areas.

The Animal Damage Control (ADC) program was transferred to APHIS on December 19, 1985, pursuant to Public Law 99-190; H.J. Res. 465, 99 Cong. 1st Sess. 1985. The transfer of personnel, property, records, and unexpended appropriations associated with the program was completed by April 1, 1986. The program had previously been located in the U.S. Department of the Interior, within the Fish and Wildlife Service. The basic program mission is to identify, demonstrate, and apply the best methods of controlling wildlife conflicts with agriculture and public safety, and to conduct programs to reduce such conflicts.

The levels of animal damage control activities are shown by the selected examples that follow:

	1987 <u>Actual</u>	1988 <u>Estimate</u>	1989 <u>Estimate</u>
Number of livestock protected:			
Sheep and goats.....	5,683,355	5,953,883	5,503,165
Cattle.....	3,906,859	4,092,825	3,782,155

	<u>1987 Actual</u>	<u>1988 Estimate</u>	<u>1989 Estimate</u>
Crops acres protected:			
Small grains.....	945,091	990,077	915,962
Sunflowers.....	219,100	229,529	212,584
Fruit and nut orchards.....	62,430	65,402	60,078
Hay, alfalfa, and pasture.....	99,014	103,727	96,125
Citrus.....	35,000	36,666	34,198
Corn.....	25,850	27,080	24,956
Soybeans.....	12,000	12,571	12,016
Vineyards.....	3,500	3,667	3,420
Range and forest acres protected:			
Range.....	707,870	741,565	658,816
Forest.....	2,218,411	2,324,007	2,148,027
Health and safety accomplishments:			
Airports (assistance with bird control).....	512	536	495
Rabies projects.....	25	26	24
Plague surveillance projects.....	485	508	470
Responses to requests for assistance:			
Agriculture.....	47,208	49,455	45,710
Human health and safety.....	15,770	16,521	15,270

## GAO AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
GGD-87-61FS	Human Resource Management: Status of Agency Practices for Improving Federal Productivity	6/16/87
AFMD-87-3	Internal Controls: Improvements Needed in USDA Receivable Systems	6/23/87
RCED-87-142	Chemical Residues in Imported Pork and Livestock	9/30/87

## OIG AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
339099-6-HY	APHIS Animal Welfare Program	11/18/87
50099-31-HY	Use of Cooperative Agreements in USDA, Washington	12/23/86
50099-12-AT	USDA Agency Utility of Management Studies Studies Performed by Private Contractors	1/20/87
50666-1-AT	Survey of USDA's Role in Detection and Prevention of Harmful Pesticide Residues in Food Products	3/9/87
50661-2-SF	Contracting Officers Administration of Contracts	4/9/87

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease of \$18,161,041 for plant disease and pest control activities, consisting of:

- (a) An increase of \$6,428,000 for the agricultural quarantine inspection (AQI) program (\$60,040,000 available in FY 1988).

Need for Change. The AQI program is the Nation's major effort to exclude pests and diseases. The program's workload continues to increase as the volume of cargo and number of international air and sea passengers increase. In addition, the AQI program is impacted by the U.S. Customs Service's expanded use of accelerated passenger inspection systems at international airports. As a result, the AQI program has increased its activities such as follow-up screening and secondary baggage examination to ensure adequate agricultural protection. While these necessary expansions in the AQI program have occurred, funding has not kept pace with the additional demands placed on the program. Thus, the Agency's ability to effectively protect U.S. agriculture from such pests as Mediterranean fruit fly (Medfly), Varroa mite, and diseases such as citrus canker, foot-and-mouth disease, and African swine fever has been severely strained.

There has been an increasing number of pest introductions, such as oriental fruit fly, Africanized honey bee, and screwworm; as well as large outbreaks of citrus canker, Medfly, peach and melon fly, and Varroa mite in recent years. The Department commissioned a Blue Ribbon Panel in 1985 to review program performance and recommend new strategies for dealing with the increasing risk. The panel has made several recommendations to improve and strengthen quarantine and inspection efforts.

Nature of Change. The additional funds will be used to further strengthen APHIS' ability to effectively carry out its front-line responsibilities to safeguard the Nation's agriculture. Specific items included are staffs for two new inspection stations at Orlando, Florida, and Houston, Texas, continued expansion of the detector dog program including in-house training of new and replacement dog teams, updating of existing X-ray systems, further implementation and enhancement of a computer based information system, and expanded computerization of export summaries. These items address the recommendations contained in the 1985 Blue Ribbon Panel Report on measures to reduce the number of exotic pests and diseases entering the country.

- (b) An increase of \$416,000 for international programs (\$2,110,000 available in FY 1988).

Need for Change. International Programs' mission is to improve plant protection systems at overseas locations and advance the movement of pest-free commodities in international trade. This undertaking, which is an integral part of U.S. agriculture's exclusion effort against the introduction of foreign plant pests and diseases, is carried out by APHIS' foreign service personnel at selected overseas locations. As U.S. agricultural trade has increased, there has been a corresponding need for APHIS to expand its pest exclusion activities to ensure that foreign agricultural products destined for the U.S. do not violate U.S. quarantine requirements, and to assist U.S. exporters and the Foreign Agricultural Service in negotiating changes to foreign plant quarantine regulations that inhibit U.S. exports.

Nature of Change. APHIS will strengthen its worldwide pest exclusion activities by expanding product coverage for its preclearance programs. The Agency will also expand its role in evaluating foreign phytosanitary regulations and negotiating changes in such regulations to increase U.S. exporters' access to world markets.

- (c) An increase of \$538,000 for the pest detection program (\$3,928,000 available in FY 1988).

Need for Change. The pest detection program aims to prevent agricultural damage by rapidly discovering the introduction of foreign plant pests and pathogens; and to provide computerized information on the existence and status of pests throughout the United States

through the National Plant Pest Survey and Detection program. This information system is used to support the certification of U.S. agricultural exports and agricultural research and management decisionmaking. For example, data on endemic pests and diseases enables State extension services and university experiment stations to direct research, monitor pest buildups, and assist farmers. All 50 States currently cooperate in this effort with varying degrees of participation.

APHIS establishes guidelines to standardize data collection methods, reporting procedures and data processing techniques; and conducts a nationwide trapping and survey program for 13 exotic pest species to supplement the database and for use in certifying the condition of U.S. plant product exports. There is a need to gather more comprehensive data that will be useful nationally and internationally, to provide easier means of access to various applications of the data bank, and to expand the survey efforts.

Nature of Change. The additional funds will be used to enhance the applications of the data bank and expand the scope of the exotic pest trapping program. Specifically, APHIS will increase the number of traps used in the current survey effort and expand the survey effort to include a greater variety of pests. These surveys are important in supplementing the data bank and establishing the pest-free status of commodity export producing regions of the United States. The program will also continue to develop national predictive mapping software, coordinate multi-regional information gathering and dissemination, and issue bulletins containing short-term pest predictions.

- (d) An increase of \$1,950,000 for the Africanized honey bee program (\$0 available in FY 1988, \$1,550,000 of contingency funds available in FY 1988).

Need for Change. In September 1987, the U.S. Department of Agriculture (USDA) entered into a cooperative agreement with the Government of Mexico to control the northward migration of the Africanized honey bee. For the last 2 fiscal years, APHIS funding for this program has come from the contingency fund (\$1,750,000 in FY 1987 and \$1,550,000 in FY 1988). Use of the contingency fund was justified as an interim funding mechanism because of the potential threat to agriculture and to humans posed by the advance of the bee, and the corresponding need to quickly establish the control program. In FY 1989 the program will be in its third year and a separate budget line item is necessary to continue funding for this program.

Nature of Change. APHIS will continue to implement the control program for the Africanized honey bee in accordance with the cooperative agreement with Mexico.

- (e) A decrease of \$1,000,000 for the biological control program (\$4,318,000 available in FY 1988).

Need for Change. APHIS' biological control program involves the operation of laboratories and facilities in Texas, Michigan, and Montana, as well as field activities in a large number of States. APHIS works with the affected States, researchers and private industry to develop and test biological control methods for a variety of pests including the European corn borer, alfalfa weevil, Colorado potato beetle, aphids, and diffuse and spotted knapweed. In addition, an expanded cooperative effort to develop and test an integrated pest management program for control of leafy spurge is being conducted in FY 1988. Experience gained by the cooperating States, Federal agencies, and State universities should enable these cooperators to assume full responsibility for the leafy spurge program in FY 1989.

Nature of Change. APHIS will have completed its role in the integrated pest management program for leafy spurge. The Agency will continue to conduct all other aspects of the biological control program.



- (f) A decrease of \$11,866,000 for the boll weevil program (\$12,079,000 available in FY 1988).

Need for Change. The cooperative boll weevil program in the Southeast has achieved eradication throughout North Carolina and South Carolina to the South Carolina-Georgia border. A 4-year cooperative eradication program began in FY 1987 extending the program to Georgia, Florida, and Alabama. Through the end of FY 1988, the Agency will have contributed \$17.8 million which will provide much of the equipment, technology, and expertise necessary to begin the program and pave the way for its successful completion. With the recommendations in the FY 1989 budget, the cooperators are expected to assume responsibility to complete the eradication effort.

For the last 25 years, the cooperative control program in the State of Texas has successfully prevented the spread of the boll weevil into the non-infested cotton producing regions of West Texas, New Mexico, Arizona, and California. The program cooperators have gained substantial experience in effectively controlling the pest, and the Federal role should be reduced.

California, Arizona, and Mexico initiated a boll weevil eradication program in FY 1985. APHIS has provided technical assistance and a share of program costs. The affected States and Mexico possess the ability to complete eradication and carry out follow-up surveillance activities.

Nature of Change. No Federal funding will be provided for the Southeast, Southwest, or High Plains programs. APHIS will continue to conduct limited regulatory activities to protect areas where the pest has been eradicated.

- (g) A decrease of \$1,018,000 to eliminate the golden nematode program (\$1,018,000 available in FY 1988).

Need for Change. Since 1934, the golden nematode has been restricted to New York State. APHIS and the State of New York have prevented the spread of the pest to other potato producing States by encouraging the use of golden nematode resistant varieties of potatoes and intensive reinforcement of interstate movement regulations and sanitary requirements. Since a number of resistant varieties are now available to New York farmers and the pest is confined to one State, it does not represent a threat to national agriculture. Given the present budget constraints, continued Federal participation is not appropriate.

Nature of Change. APHIS will eliminate the golden nematode program as a line item and discontinue the cooperative agreement with Cornell University. Funds from the miscellaneous plant diseases and pests program will be utilized to enforce the modified golden nematode quarantine that prohibits the interstate movement of susceptible varieties of potatoes.

- (h) A decrease of \$7,553,041 for the grasshopper program (\$10,718,041 available in FY 1988).

Need for Change. The FY 1988 availability for APHIS includes \$6.9 million in no-year funds designated for grasshopper control work. This includes \$1.9 million carried over from the prior fiscal year. The intensive control measures of recent years carried out by APHIS and the cooperating States and ranchers have resulted in large reductions in the grasshopper population. This will enable the States and ranchers to assume responsibility for all survey and control activities.

APHIS will spend up to \$3 million in FY 1988 to support the second year of the integrated pest management initiative to develop long-term, environmentally acceptable solutions to grasshopper control.

Nature of Change. No funds will be provided for control activities in FY 1989. APHIS will continue to provide technical advice and limited support to affected States and local entities. In addition, the integrated pest management program will be performed at a reduced level.

- (i) A decrease of \$5,000,000 to eliminate the imported fire ant program (\$5,000,000 available in FY 1988).

Need for Change. APHIS has had funds available to participate with States in a program to prevent the spread of the imported fire ant and has worked with private industry and the Agricultural Research Service to develop effective, environmentally safe control tools. Also, some funding was provided to States for the purchase of chemicals for individual use. However, there are no approved chemicals currently available for wide-scale use. Without a viable control agent there has been no practical opportunity to engage in cooperative efforts with the States. Since a national effort to control imported fire ant is not possible at this time, continued Federal involvement is not necessary.

Nature of Change. APHIS will discontinue involvement in this program. States, communities, local organizations, and individuals will be encouraged to use available tools to combat imported fire ant infestations.

- (j) A decrease of \$443,000 to eliminate the noxious weeds program (\$443,000 available in FY 1988).

Need for Change. APHIS has funded cooperative programs to control and eradicate hydrilla in Florida and California, and common crupina in Idaho. Successful field trials in these programs have provided the States with the ability to effectively undertake local eradication programs.

Nature of Change. APHIS will no longer provide funds for cooperative control and eradication activities under the noxious weeds program. Detection of exotic noxious weeds will continue in the agricultural quarantine inspection program. This will be adequate to prevent the entry of noxious weeds into the United States.

- (k) A decrease of \$613,000 for the pink bollworm program (\$1,700,000 available in FY 1988).

Need for Change. Since 1968, the Agency has operated a sterile-moth rearing facility in Phoenix, Arizona, producing moths for release in the San Joaquin Valley of California, and participated in survey and regulatory activities in California. This has prevented the pink bollworm from infiltrating from the heavily infested Imperial Valley and becoming established throughout the San Joaquin Valley. APHIS has worked closely with the States in this cooperative effort, both in conducting survey operations and in the sterile-moth release program. The States now have the necessary expertise to assume the primary responsibility for this program.

Nature of Change. APHIS will no longer provide surveillance, area-wide management, and operational trials and demonstrations in the San Joaquin Valley. The Agency will also reduce Federal involvement in regulatory and survey activities. The Agency will continue to operate the sterile-moth rearing facility, conduct methods trials, and develop management tools which will assist States and producers.

- (2) A net decrease of \$8,875,000 for animal disease and pest control activities, consisting of:

- (a) An increase of \$1,958,000 for the animal disease detection program (\$3,052,000 available in FY 1988).

Need for Change. This program fulfills the vital role of protecting the Nation's livestock from exotic and foreign animal diseases of economic significance by diagnosing and detecting outbreaks in a nationally coordinated effort to help the States and livestock and poultry industries to eradicate and prevent the spread of diseases.

There is a need to address the present lack of a sound central base of reliable information on the national incidence, trends, and economic impact of the various animal diseases. Such information can be of considerable benefit to producers in identifying and responding to disease factors which cause production losses and inefficiencies. In response to that need, APHIS, in cooperation with the States and industry, developed the National Animal Health Monitoring System

(NAHMS). Recently, the pilot phase of the system was successfully completed. Increased funds are needed to expand the program to ensure the development of a statistically sound database. Additionally, as Federal participation in the brucellosis program is gradually phased down, the animal disease detection program will play an increasingly important role in both ensuring the success of that effort, and in assuming other disease monitoring previously conducted by the brucellosis inspectors.

Nature of Change. APHIS will expand the NAHMS system to allow for the inclusion of 500 additional herds/flocks, for a total of approximately 1,000. The current Emergency Program Information Center will be expanded to include domestic diseases, its equipment will be upgraded to enhance our capabilities, and work will begin on establishing an international database with on-line retrievals and easy access by food animal industries, private veterinary practitioners, universities, and animal health officials in foreign countries.

- (b) An increase of \$296,000 for international programs (\$2,034,000 available in FY 1988).

Need for Change. This program works to facilitate international trade of agricultural products, and to improve the Agency's capability to detect exotic animal diseases before they enter the United States. This is accomplished through international working agreements and APHIS overseas observers. Increased funds are necessary to meet needs and to strengthen the Agency's worldwide animal disease surveillance network in several parts of Latin America.

Nature of Change. APHIS will place additional veterinary medical officers in South America to monitor the activity and movement of exotic animal diseases and to maintain regular contact with foreign animal health officials. In addition, a second veterinary medical officer will be stationed in Haiti to participate in a swine disease surveillance and diagnostic project under a Participating Agency Servicing Agreement with the Agency for International Development.

- (c) An increase of \$1,504,000 for veterinary diagnostics (\$10,867,000 available in FY 1988).

Need for Change. The APHIS veterinary diagnostics program provides vital laboratory support and diagnostic testing for foreign and domestic animal diseases. Over the past several years, the program's workload has steadily increased without the necessary increases in funding. The additional workload includes such activities as providing international and domestic training on laboratory testing, producing diagnostic reagents, establishing and providing continued support for the National Reference Center for Leptospirosis, developing and implementing a program to screen for fraudulent blood samples, and working to expand the National Veterinary Services Laboratories' role in the standardization of laboratory procedures. These activities have been instrumental in enabling the program to keep pace with recent scientific achievements and modern laboratory methods in order to maintain and enhance its international reputation and scientific credibility.

Nature of Change. APHIS will continue providing international and domestic training on laboratory testing; producing and shipping diagnostic reagents that are not commercially available; funding the National Reference Center for Leptospirosis, developing and implementing a program to screen for fraudulent blood samples; and expanding the National Veterinary Services Laboratory's role in the standardization of laboratory procedures at State, university and private laboratories conducting certain diagnostic tests for the Department.

- (d) A decrease of \$9,776,000 for the brucellosis program (\$65,617,000 available in FY 1988).

Need for Change. Continued progress is being made in reducing the incidence of brucellosis under the 5-year restructuring plan of the State-Federal Cooperative Brucellosis Eradication Program. The number of quarantined herds dropped from 3,545 at the end of FY 1986 to 3,160 at the end of FY 1987. Also, the number of Class B and C States (those



most heavily infected) has dropped from 17 in FY 1982 to 7 States at the end of FY 1987. Given the continued progress in reducing the incidence of brucellosis and related economic losses, APHIS is able to safely reduce its role in the program.

Nature of Change. The FY 1989 Budget continues the planned phasedown, begun in FY 1986, of the brucellosis eradication program. The objective of the program, through increased State and industry involvement, is to bring all States to Class A status or better by the end of FY 1990. The program continues to focus on States with the highest levels of infection and works to prevent the reintroduction of brucellosis into free and low-incidence States. Beginning in FY 1991, the Federal program will consist of disease surveillance and reporting and the enforcement of interstate regulations.

- (e) A decrease of \$182,000 for the poultry diseases program (\$825,000 available in FY 1988).

Need for Change. Funds were included in the FY 1988 appropriation for APHIS to conduct a study of avian influenza and develop a long-term strategy to prevent a crisis similar to that which occurred in 1983. The Agency plans to complete the study this year and provide a report of its findings to the Congress by June 1, 1988.

Nature of Change. Funding for poultry diseases can be reduced in FY 1989 since APHIS will have completed its study of avian influenza.

- (f) A decrease of \$1,400,000 for the pseudorabies program (\$2,400,000 available in FY 1988).

Need for Change. APHIS has concluded the pseudorabies eradication projects initiated over the past several years. This has prompted the industry to develop a model plan for eradication on a nationwide basis. Several States have demonstrated an ability to develop their own pseudorabies eradication projects. Thus, APHIS can safely reduce its program role as the States and industry expand the successes of the pilot projects into additional States.

Nature of Change. APHIS will provide limited support of pseudorabies programs in Minnesota, and perform follow-up activities in the five pilot-project States. The Agency will also assist with surveillance in support of individual State control/eradication programs and provide technical information to interested swine owners.

- (g) A decrease of \$1,275,000 for the animal welfare program (\$6,197,000 available in FY 1988).

Need for Change. APHIS has provided a total of \$1,500,000 over the last 2 years to the National Agricultural Library (NAL) for establishment of an information system to track existing research in order to eliminate duplication and to make animal welfare information available to interested parties. Development of the system should be completed in FY 1988. In addition, Federal deficit reduction priorities make it necessary for States, industry groups, and humane societies to assume greater responsibility for enforcement of the Animal Welfare Act.

Nature of Change. APHIS will discontinue funding in FY 1989 for the animal welfare information service at NAL. In addition, the frequency of routine inspections of licensed dealers, research facilities, exhibitors, and carriers will be reduced from the current level of 1.5 per year to approximately one per year.

- (3) A decrease of \$11,419,000 for animal damage control program operations (\$24,419,000 available in FY 1988).

Need for Change. The animal damage control (ADC) program protects American agriculture from damage caused by animals. The program also provides protection from wildlife that constitute a threat to public health and safety. ADC programs have been carried out cooperatively with other Federal agencies, States, and private organizations since 1931. The Federal role in ADC should be limited to methods development, technical advice and assistance, and control programs on public lands. The States, local governments, and industry should be responsible for all control activities on State and private lands. The program cooperators

are the direct beneficiaries of control activities and have developed a significant level of expertise in dealing with animal damage problems over the 57 year history of the program. Accordingly, Federal funding should not be provided for control work on State and private lands.

Nature of Change. The Department will conduct control programs on State and private lands if requested and paid for by the States, local governments, or industry. APHIS will continue control activities on public lands, provide technical assistance, and conduct methods development activities.

- (4) An increase of \$1,000,000 for the biotechnology program (\$4,000,000 available in FY 1988).

Need for Change: APHIS is the lead Agency responsible for coordinating the development and implementation of the Department's regulation of agricultural biotechnology products. The Agency also serves as the Department's liaison with other Federal, State, and international regulatory agencies on matters pertaining to the regulation of agricultural biotechnology. APHIS' regulatory program has been designed to both accommodate the growth of the biotechnology industry in this country and maintain adequate safeguards to protect the environment and agriculture from the release of potentially harmful biotechnologically derived materials. The plant health protection component of the program reviews biotechnology applications for field testing, movement, or importation; grants or refuses permit applications; conducts environmental assessments to determine whether a product threatens plant health; and conducts on-site field inspections to ensure permit restrictions are followed. The animal health component has similar responsibilities associated with requests for product licenses and import permits for biotechnologically derived products that could threaten animal health.

A great deal of biotechnology is now moving from the laboratory to the field testing stage, and the industry is gearing up to test a variety of new products. This year, APHIS will receive approximately 500 permit requests for field testing, movement, and importation of biotechnologically derived products which could affect plant health. The workload is expected to continue to increase in subsequent years. The Department could receive as many as 900 to 1,000 permits in FY 1989. We expect a similar increase in workload for products which could affect animal health. By the early 1990's, agricultural biotechnology should be a \$3 to \$5 billion industry in this country. Adequate staff is needed to meet this regulatory responsibility.

Nature of Change: APHIS is the first Federal Agency to establish final regulations for biotechnologically derived products under policies presented in the "Federal Coordinated Framework" for biotechnology. The Agency will increase its staff to provide adequate evaluation of applications and enforcement of regulations.

- (5) A net increase of \$500,000 for the contingency fund (\$4,500,000 available in FY 1988.):

Need for Change: The contingency fund gives APHIS the flexibility to combat unforeseen pest and disease outbreaks, and to avoid more time-consuming processes for securing resources which could delay control operations and lead to more serious pest outbreaks. Predicting the level of pest or disease outbreaks is extremely difficult. In FY 1987, the contingency fund was used for citrus canker, avian influenza, exotic Newcastle disease of poultry, gypsy moth, black parlatoria scale of citrus, Africanized honey bee, and Mediterranean fruit fly outbreaks in Florida, California, and Guatemala. The requested increase will provide the funding needed for the Department to adequately respond in these kinds of situations.

Nature of Change. The contingency fund will be increased to \$5,000,000 and APHIS will continue to monitor and take appropriate measures to control small-scale plant and animal pest or disease outbreaks where necessary.

PLANT DISEASE AND PEST CONTROL  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	FY 1987		FY 1988		FY 1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$2,108,103	24	\$2,206,000	24	\$647,000	14
Alaska.....	257,857	7	258,000	7	279,000	7
Arizona.....	1,898,330	45	2,388,000	43	1,556,000	34
Arkansas.....	389,891	7	375,000	7	309,000	6
California.....	9,007,219	233	9,817,000	231	9,862,000	242
Colorado.....	931,106	12	963,000	12	582,000	11
Connecticut.....	299,735	7	298,000	7	317,000	7
Delaware.....	245,379	5	236,000	5	220,000	5
Florida.....	8,226,794	146	6,057,000	139	6,127,000	148
Georgia.....	6,473,990	57	6,429,000	57	1,000,000	24
Hawaii.....	5,755,133	170	6,413,000	170	6,932,000	177
Idaho.....	923,432	5	960,000	5	299,000	3
Illinois.....	838,049	23	929,000	23	986,000	24
Indiana.....	220,330	4	199,000	4	202,000	4
Iowa.....	169,898	3	160,000	3	160,000	3
Kansas.....	93,403	1	92,000	1	72,000	1
Kentucky.....	197,641	4	194,000	4	197,000	4
Louisiana.....	1,225,575	30	1,310,000	29	1,271,000	30
Maine.....	252,799	7	275,000	7	296,000	7
Maryland.....	12,432,078	285	15,318,000	301	14,443,000	317
Massachusetts.....	1,950,874	46	2,013,000	45	2,059,000	47
Michigan.....	1,225,667	23	1,236,000	23	1,058,000	23
Minnesota.....	1,782,713	42	1,898,000	43	1,679,000	38
Mississippi.....	1,909,077	32	2,264,000	30	1,616,000	30
Missouri.....	336,520	7	324,000	7	334,000	7
Montana.....	3,199,034	19	3,370,000	19	1,124,000	12
Nebraska.....	115,625	1	116,000	1	79,000	1
Nevada.....	139,313	3	146,000	3	78,000	2
New Hampshire.....	76,887	1	61,000	1	66,000	1
New Jersey.....	2,818,925	82	3,079,000	77	3,348,000	63
New Mexico.....	296,136	4	272,000	4	162,000	3
New York.....	5,575,718	148	6,096,000	152	5,603,000	141
North Carolina.....	3,912,911	66	4,778,000	67	3,364,000	57
North Dakota.....	899,308	5	935,041	5	313,000	3
Ohio.....	671,030	14	645,000	13	663,000	14
Oklahoma.....	273,087	4	301,000	4	187,000	3
Oregon.....	507,327	9	567,000	9	420,000	9
Pennsylvania.....	1,074,397	29	1,140,000	28	1,214,000	30
Rhode Island.....	122,040	3	110,000	3	118,000	3
South Carolina.....	2,718,307	43	2,959,000	43	1,988,000	37
South Dakota.....	361,909	2	368,000	2	140,000	2
Tennessee.....	409,538	8	467,000	8	323,000	7
Texas.....	13,423,444	314	14,449,000	300	12,719,000	299
Utah.....	489,336	2	328,000	2	120,000	1
Vermont.....	65,457	1	55,000	1	60,000	1
Virginia.....	854,745	23	924,000	22	991,000	24
Washington.....	261,099	5	288,000	5	225,000	4
West Virginia.....	318,673	6	295,000	6	293,000	6
Wisconsin.....	152,204	3	143,000	3	146,000	3
Wyoming.....	1,160,501	6	1,205,000	6	387,000	4
Washington, DC.....	2,728,210	58	3,256,000	69	2,829,000	62
Puerto Rico.....	3,669,794	108	4,077,000	103	4,405,000	112
Virgin Islands.....	278,216	8	309,000	8	334,000	8
Asia/Pacific.....	586,226	8	702,000	10	842,000	12
Bahamas.....	56,381	2	64,000	2	68,000	2
Belize.....	119,000	2	0	0	0	0
Bermuda.....	56,381	2	64,000	2	68,000	2
Chile.....	144,427	2	173,000	2	208,000	3
Dominican Republic...	276,159	12	313,000	8	334,000	9
Europe/Africa.....	538,650	7	645,000	9	774,000	11
Guam.....	34,320	1	38,000	1	41,000	1
Guatemala.....	3,889,443	31	3,514,000	29	3,522,000	29
Mexico.....	5,654,041	88	5,444,000	101	6,058,000	94
Venezuela.....	126,889	2	152,000	2	182,000	3
Total, Available or Estimate	<u>\$117,206,681*</u>	<u>2,357</u>	<u>\$124,460,041</u>	<u>2,357</u>	<u>\$106,299,000</u>	<u>2,291</u>

\* Includes obligations of \$6,065,000 from Contingency releases.

ANIMAL DISEASE AND PEST CONTROL  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	FY 1987		FY 1988		FY 1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$ 2,406,218	33	\$ 2,421,000	33	\$ 2,137,000	32
Alaska.....	62,589	1	63,000	1	61,000	1
Arizona.....	1,052,731	22	1,059,000	22	1,022,000	21
Arkansas.....	2,841,828	47	2,860,000	47	2,560,000	46
California.....	3,685,674	56	3,709,000	56	3,379,000	55
Colorado.....	5,269,029	87	5,302,000	87	5,417,000	85
Connecticut.....	89,964	2	91,000	2	87,000	2
Delaware.....	52,456	1	53,000	1	51,000	1
Florida.....	10,245,074	120	10,310,000	110	9,449,000	107
Georgia.....	2,476,238	41	2,492,000	41	2,305,000	40
Hawaii.....	507,515	8	510,000	8	493,000	8
Idaho.....	1,119,304	19	1,127,000	19	1,087,000	19
Illinois.....	1,557,810	21	1,568,000	21	1,513,000	20
Indiana.....	1,049,419	19	1,057,000	19	1,019,000	19
Iowa.....	15,112,217	286	14,705,000	282	15,176,000	285
Kansas.....	1,758,012	31	1,769,000	31	1,707,000	30
Kentucky.....	3,971,004	44	3,996,000	44	3,756,000	43
Louisiana.....	3,567,244	48	3,590,000	48	3,364,000	47
Maine.....	181,891	4	183,000	4	177,000	4
Maryland.....	16,769,900	324	17,076,000	325	15,836,000	315
Massachusetts.....	727,610	16	732,000	16	707,000	16
Michigan.....	949,460	16	955,000	16	922,000	16
Minnesota.....	3,394,786	73	3,716,000	72	3,197,000	70
Mississippi.....	3,369,687	44	3,391,000	44	3,172,000	42
Missouri.....	2,758,677	37	2,776,000	37	2,579,000	36
Montana.....	711,316	16	716,000	16	691,000	16
Nebraska.....	1,651,412	22	1,662,000	22	1,504,000	21
Nevada.....	1,100,914	11	1,108,000	11	1,069,000	11
New Hampshire.....	183,060	4	184,000	4	178,000	4
New Jersey.....	391,930	6	394,000	6	381,000	6
New Mexico.....	1,044,418	20	1,051,000	20	1,014,000	19
New York.....	7,554,076	58	7,802,000	57	7,136,000	58
North Carolina.....	989,487	18	996,000	18	960,000	17
North Dakota.....	646,114	14	650,000	14	627,000	14
Ohio.....	1,109,394	16	1,116,000	16	1,077,000	16
Oklahoma.....	4,000,083	48	4,025,000	48	3,685,000	46
Oregon.....	582,174	11	586,000	11	565,000	11
Pennsylvania.....	1,239,197	16	1,547,000	16	1,203,000	15
Rhode Island.....	51,072	1	51,000	1	50,000	1
South Carolina.....	818,611	17	824,000	17	795,000	17
South Dakota.....	1,129,707	21	1,137,000	21	1,097,000	20
Tennessee.....	2,690,247	43	2,707,000	43	2,513,000	42
Texas.....	15,757,407	233	16,057,000	223	14,740,000	216
Utah.....	541,195	11	545,000	11	526,000	11
Vermont.....	204,748	5	206,000	5	200,000	5
Virginia.....	594,242	13	598,000	13	577,000	13
Washington.....	1,037,923	20	1,044,000	20	1,008,000	19
West Virginia.....	462,260	8	465,000	8	449,000	8
Wisconsin.....	1,386,483	19	1,495,000	19	1,346,000	19
Wyoming.....	405,591	10	408,000	10	394,000	10
Washington, DC.....	3,415,043	82	3,537,000	81	3,316,000	78
Puerto Rico.....	4,229,514	65	4,356,000	63	4,107,000	60
Asia & Pacific.....	140,409	1	141,000	1	137,000	1
Central America.....	296,726	3	700,000	3	688,000	3
Colombia.....	1,319,742	1	1,728,000	1	1,682,000	1
Europe & Africa.....	221,622	1	223,000	2	215,000	2
Dominican Rep.....	109,628	1	110,000	1	106,000	1
Haiti.....	102,938	1	104,000	1	163,000	2
Mexico.....	27,773,192	48	29,049,000	45	28,621,000	43
Panama.....	979,592	4	986,000	4	951,000	4
Total, Available or Estimate	<u>\$169,847,804*</u>	<u>2,268</u>	<u>\$173,819,000</u>	<u>2,238</u>	<u>\$164,944,000</u>	<u>2,190</u>

\* Includes obligations of \$791,794 from Contingency releases.



ANIMAL DAMAGE CONTROL  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	FY 1987		FY 1988		FY 1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$46,945	1	\$46,000	1	\$38,000	1
Alaska.....	84,509	2	45,000	2	14,000	0
Arizona.....	436,342	10	400,000	10	135,000	3
Arkansas.....	222,322	6	229,000	6	178,000	3
California.....	1,293,181	30	1,125,000	30	340,000	7
Colorado.....	4,504,277	72	5,497,000	72	4,305,000	70
Connecticut.....	22,237	0	22,000	0	18,000	0
Delaware.....	24,495	0	24,000	0	20,000	0
Florida.....	205,603	6	203,000	6	165,000	4
Georgia.....	69,817	2	69,000	2	56,000	2
Hawaii.....	66,298	1	270,000	1	207,000	1
Idaho.....	1,059,425	20	1,016,000	20	597,000	9
Illinois.....	109,472	4	108,000	4	88,000	3
Indiana.....	140,586	6	139,000	6	113,000	6
Iowa.....	23,963	0	24,000	0	20,000	0
Kansas.....	311,106	8	300,000	8	26,000	1
Kentucky.....	336,530	4	331,000	4	270,000	3
Louisiana.....	184,091	4	192,000	4	171,000	3
Maine.....	64,046	2	67,000	2	52,000	2
Maryland.....	1,274,205	20	2,253,000	20	938,000	15
Massachusetts.....	22,237	2	22,000	2	18,000	1
Michigan.....	85,973	2	80,000	2	77,000	2
Minnesota.....	469,314	19	461,000	18	326,000	12
Mississippi.....	96,911	2	334,000	3	287,000	3
Missouri.....	53,169	2	52,000	2	42,000	2
Montana.....	725,450	30	813,000	32	198,000	7
Nebraska.....	234,361	9	230,000	9	30,000	1
Nevada.....	574,950	13	530,000	13	426,000	10
New Hampshire.....	55,072	2	54,000	2	44,000	2
New Jersey.....	65,670	4	65,000	4	53,000	3
New Mexico.....	1,020,111	30	937,000	30	312,000	8
New York.....	88,037	2	87,000	2	71,000	2
North Carolina.....	70,701	2	70,000	2	65,000	2
North Dakota.....	477,666	15	469,000	14	155,000	4
Ohio.....	357,927	5	352,000	5	288,000	3
Oklahoma.....	351,112	7	354,000	7	249,000	2
Oregon.....	864,054	12	850,000	12	249,000	3
Pennsylvania.....	129,422	0	256,000	0	209,000	0
Rhode Island.....	18,766	0	19,000	0	15,000	0
South Carolina.....	60,538	2	62,000	2	48,000	2
South Dakota.....	363,145	2	327,000	2	20,000	0
Tennessee.....	160,148	5	161,000	5	60,000	2
Texas.....	2,214,968	46	2,035,000	46	213,000	3
Utah.....	1,148,371	19	1,029,000	18	608,000	8
Vermont.....	44,102	0	84,000	1	68,000	1
Virginia.....	71,793	2	75,000	2	58,000	2
Washington.....	563,798	4	579,000	4	206,000	3
Washington, DC.....	547,225	21	555,000	20	276,000	11
West Virginia.....	65,059	2	64,000	2	53,000	2
Wisconsin.....	144,039	3	241,000	3	197,000	2
Wyoming.....	825,824	22	812,000	22	328,000	6
Total, Available or Estimate	<u>\$22,449,363</u>	<u>484</u>	<u>\$24,419,000</u>	<u>484</u>	<u>413,000,000</u>	<u>242</u>

BIOTECHNOLOGY  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	FY 1987		FY 1988		FY 1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$0	0	\$0	0	\$0	0
Alaska.....	0	0	0	0	0	0
Arizona.....	0	0	0	0	0	0
Arkansas.....	0	0	0	0	0	0
California.....	0	0	120,000	2	150,000	3
Colorado.....	0	0	0	0	0	0
Connecticut.....	0	0	0	0	0	0
Delaware.....	0	0	0	0	0	0
Florida.....	0	0	0	0	0	0
Georgia.....	0	0	0	0	0	0
Hawaii.....	0	0	0	0	0	0
Idaho.....	0	0	0	0	0	0
Illinois.....	0	0	0	0	0	0
Indiana.....	0	0	0	0	0	0
Iowa.....	0	0	320,000	1	400,000	1
Kansas.....	0	0	0	0	0	0
Kentucky.....	0	0	0	0	0	0
Louisiana.....	0	0	0	0	0	0
Maine.....	0	0	0	0	0	0
Maryland.....	0	0	3,200,000	21	4,000,000	27
Massachusetts.....	0	0	0	0	0	0
Michigan.....	0	0	0	0	0	0
Minnesota.....	0	0	0	0	0	0
Mississippi.....	0	0	120,000	2	150,000	3
Missouri.....	0	0	0	0	0	0
Montana.....	0	0	0	0	0	0
Nebraska.....	0	0	0	0	0	0
Nevada.....	0	0	0	0	0	0
New Hampshire.....	0	0	0	0	0	0
New Jersey.....	0	0	120,000	2	150,000	3
New Mexico.....	0	0	0	0	0	0
New York.....	0	0	0	0	0	0
North Carolina.....	0	0	0	0	0	0
North Dakota.....	0	0	0	0	0	0
Ohio.....	0	0	0	0	0	0
Oklahoma.....	0	0	0	0	0	0
Oregon.....	0	0	0	0	0	0
Pennsylvania.....	0	0	0	0	0	0
Rhode Island.....	0	0	0	0	0	0
South Carolina.....	0	0	0	0	0	0
South Dakota.....	0	0	0	0	0	0
Tennessee.....	0	0	0	0	0	0
Texas.....	0	0	120,000	2	150,000	3
Utah.....	0	0	0	0	0	0
Vermont.....	0	0	0	0	0	0
Virginia.....	0	0	0	0	0	0
Washington.....	0	0	0	0	0	0
Washington, DC.....	0	0	0	0	0	0
West Virginia.....	0	0	0	0	0	0
Wisconsin.....	0	0	0	0	0	0
Wyoming.....	0	0	0	0	0	0
Total, Available or Estimate	<u>\$0</u>	<u>0</u>	<u>\$4,000,000</u>	<u>30</u>	<u>\$5,000,000</u>	<u>40</u>

## ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows  
(new language is underscored; deleted matter is enclosed in brackets):

Buildings and Facilities

For plans, construction, repair, improvement, extension, alteration, and  
purchase of fixed equipment or facilities, as authorized by 7 U.S.C.  
2250, and acquisition of land as authorized by 7 U.S.C. 428a,  
[\$2,246,000] \$2,847,000.

BUILDINGS AND FACILITIESPROJECT STATEMENT  
(On basis of available funds)

	: 1987	: 1988	: Increase or	: 1989
	: Actual	: Estimated	: Decrease	: Estimated
Construction of facilities....	\$7,996,906	\$2,454,683	+\$1,004,317	\$3,459,000
Unobligated balance available,	:	:	:	:
start of year.....	-6,571,589	-820,683	+208,683	-612,000
Unobligated balance available,	:	:	:	:
end of year.....	820,683	612,000	-612,000	--
Total, Available or	:	:	:	:
estimated	:	:	:	:
appropriated funds.....	2,246,000	2,246,000	+601,000(1)	2,847,000

EXPLANATION OF PROGRAM

The APHIS appropriation "Buildings and Facilities" funds major nonrecurring construction projects in support of specific program activities and recurring construction, alterations, and repairs of existing APHIS facilities. The entire FY 1989 request is for the latter activities.

JUSTIFICATION OF INCREASE

- (1) An increase of \$601,000 for buildings and facilities (\$2,454,683 available in FY 1988).

Need for Change. Plans, construction, repairs, alterations, and improvements are performed as needed for APHIS facilities including animal quarantine stations, border inspection stations, sterile insect rearing facilities, and laboratories. The Animal Damage Control (ADC) program and budget, which transferred from the Department of the Interior in FY 1986, included no funds for repairs of ADC facilities. The proposed increase will provide funds for necessary repairs, alterations, and improvements of ADC laboratories and facilities. The request also includes funds for increasing repairs and maintenance required for other APHIS facilities. As the buildings age, major repairs or replacement of items such as roofs, heating and ventilation systems, air conditioning, etc., become critical to the overall building operation.

Nature of Change. The Agency will prioritize needs for minor construction, repairs, and alterations to existing facilities. Those most critical to the accomplishment of the Agency mission will be funded.



## Passenger Motor Vehicles

The 1989 Budget Estimates propose replacement of 153 passenger motor vehicles. All are fully utilized and those scheduled for replacement will be either 6 years old or have 60,000 or more miles. The requested replacements will be substituted for those cars, which are no longer economical to operate because of their age, mileage, or both.

The Animal and Plant Health Inspection Service uses approximately 96 percent of its vehicles in daily travel for the control and eradication of brucellosis, tuberculosis, cattle tick fever, various plant pests and diseases, and animal damage control. The Agency uses the remaining 4 percent for travel related to animal and plant quarantine work. Frequently, these vehicles are operated over rugged roads and terrain and under adverse weather condition. Maintaining these vehicles is expensive, but essential. The control, eradication, testing, and inspection activities cannot be accomplished without their use.

Age and mileage data for passenger-carrying motor vehicles available as of September 30, 1987, is as follows:

Age-Year Model	Age Data		Lifetime Mileage (Thousands)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percent of Total
1982 (or older)	136	22.44%	Over 100	8	1.32%
1983	131	21.62%	80-100	43	7.10%
1984	160	26.40%	60-80	137	22.61%
1985	46	7.59%	40-60	151	24.92%
1986	129	21.29%	20-40	178	29.37%
1987	4	0.66%	Under 20	89	14.68%
Total	606	100.00%		606	100.00%

## AIRCRAFT

The 1989 Budget Estimates propose the acquisition of one additional aircraft and the replacement of one of the aircraft presently maintained by the Agency. There are presently nineteen aircraft in the Agency fleet, two for Veterinary Services, nine for Plant Protection and Quarantine, and eight for Animal Damage Control programs. The two aircraft in Veterinary Services are currently on loan to Plant Protection and Quarantine. The two aircraft are stationed at Mission, Texas, and are used for emergency projects; such as the California Mediterranean fruit fly outbreak. During FY 1987, two airplanes were excessed in PPQ and one airplane was purchased in VS.

Additional

The additional aircraft will be used for aerial predator damage control in the Western United States. This involves reducing the heavy coyote population in areas where their presence is a danger to humans and livestock. The aircraft will also be used to survey and gather damage information and to identify den sites of the predators.

Replacement

The replacement aircraft will be utilized primarily in plant pest control operations. These aircraft are sometimes used to supervise and observe contract planes which are newer, faster models than those the Agency has available. While this replacement authority is requested each year in the appropriation act, the aircraft will be replaced only if necessary to maintain the fleet in safe and efficient operating condition.

The plant protection aircraft make aerial surveys and aerial application tests, are used for insect trapping operations, and to demonstrate the use of special equipment for suppression of destructive insects attacking crops.

## AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service (AMS) was established by the Secretary of Agriculture on April 2, 1972. AMS carries out programs authorized by some 31 different statutory authorities, the primary ones being the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627); the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601-602, 608a-608e, 610, 612, 614, 624, 671-674); the U.S. Cotton Standards Act (7 U.S.C. 51-65); the Cotton Statistics and Estimates Act (7 U.S.C. 471-476); the Tobacco Inspection Act (7 U.S.C. 511-511q); the Perishable Agricultural Commodities Act (7 U.S.C. 499a-499s); the Egg Products Inspection Act (21 U.S.C. 1031-1056); and Section 32 (15 U.S.C. 713c).

The primary objective of AMS is to enhance the marketing and distribution of agricultural products from the Nation's farms. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, inspection and grading services, and various marketing development programs. Approximately three-fourths of the funds needed to finance these activities are derived from user fees.

The Agricultural Marketing Service administers the following programs:

1. Market news service: The market news program entails the collection, analysis and dissemination of supply, inventories, prices and other market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits and vegetables; livestock, meat and grains; poultry products; and tobacco.

Market news provides timely, accurate, and unbiased information to assist producers, growers, and marketers of farm products in making critical decisions of where and when to sell, and at what price. The collection of market information is a joint effort by both Federal and State reporters.

2. Inspection, grading and standardization services: AMS develops and maintains standards of quality and condition for use in the grading of agricultural commodities. These standards provide a common language of trade for buyers and sellers of these commodities both here and abroad. AMS provides grading and certification services upon request for numerous agricultural commodities, including cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco. AMS also provides continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products to ensure that egg products are wholesome, unadulterated, and fit for human consumption; inspects egg handlers and hatcheries quarterly to ensure the proper disposition of restricted eggs; and controls the importation of egg products to ensure that U.S. requirements are met.

The inspection and grading activities are performed by Federal and Federally-supervised State employees. The egg products inspection program is mandatory and is funded from appropriations while grading activities are provided on a fee-for-service basis.

AMS also develops and maintains standard food specifications used government-wide to provide a more efficient Federal food procurement service.

3. Market protection and promotion services: AMS administers several laws to ensure proper marketing practices, stimulate innovative and improved commodity marketing, and provide assistance to industry-sponsored activities. The Federal Seed Act requires truthful labeling of seeds shipped in interstate commerce to prevent misrepresentation. The Plant Variety Protection Act encourages the development of novel varieties of sexually reproduced plants by providing patent-like protection to developers. Oversight and direction is

provided to several industry-funded research and promotion programs. During the past year over \$440 million was collected through producer assessments and used by industry to broaden and enhance local and national markets for various commodities. Currently we have active research and promotion programs for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, lamb and wool, and mohair.

4. Wholesale market development: Under this program, AMS provides technical advice and assistance to States and municipalities interested in creating new or upgrading current wholesale market facilities. AMS also conducts cooperative feasibility studies with other government agencies and the private sector to evaluate and suggest improvements in the efficiency with which agricultural commodities are handled and marketed.
5. Federal-State marketing improvement program: This program provides matching funds to State Departments of Agriculture for projects intended to improve the marketing of farm commodities. These funds enable the States to conduct marketing projects to improve local marketing systems. The aim of the program is to reduce the marketing costs for producers and, ultimately, the retail cost of food to consumers. Projects include work in innovative marketing techniques, testing study findings in the marketplace, and developing State expertise in providing service to marketers of agricultural commodities.
6. Perishable Agricultural Commodities Act: Through legal recourse procedures this program protects fresh fruit and vegetable producers, shippers, distributors and retailers from financial loss due to buyer bankruptcy or unfair and fraudulent practices in the marketing of perishable agricultural commodities. This program also prohibits the unwarranted destruction or dumping of farm products handled for others.
7. Strengthening agricultural markets and producer income (Section 32): This program provides price assistance to producers by the purchase of surplus and, as necessary, other agricultural commodities from regular market outlets. Contracting offices use both Section 32 program funds and appropriated funds of the Food and Nutrition Service to make these purchases. All commodities purchased are transferred to the Food and Nutrition Service for distribution to schools, to the elderly and to other domestic food assistance programs.

AMS supervises the administration of the marketing agreements and orders program and conducts public hearings and referenda to determine producer sentiment toward new order programs and revisions of current programs. Marketing orders maintain orderly market conditions by establishing minimum prices which handlers pay to producers for milk and dairy products and by regulating the quality, quantity, or size of fruits and vegetables which handlers may market in commercial channels.

8. Work performed for others: AMS provides services for Federal, State, and private industry on a reimbursable basis, primarily in connection with the commodity grading and inspection programs.

AMS headquarters are located in Washington, D.C., with approximately 308 year-round and seasonal field offices. The peak employment period for AMS occurs during the four month period, September thru December, due to the seasonal nature of the cotton, tobacco, and fruit and vegetable grading programs. Employment during the peak period averaged 5,046 during fiscal year 1987. As of September 30, 1987, there were 3,447 full-time employees and 1,634 other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,827 full-time and 1,601 other than permanent full-time employees.

## AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
Agricultural Marketing Service:						
Marketing Services ...	\$31,435,000	635	\$32,409,000	671	\$33,087,000	633
Payments to States and Possessions .....	942,000	--	942,000	--	--	--
Total .....	32,377,000	635	33,351,000	671	33,087,000	633
Obligations under other USDA appropriations:						
Agricultural Research Service for general telegraphic services..	10,000	--	10,000	--	10,000	--
Animal Plant Health Inspection Service for general telegraphic services .....	5,000	--	5,000	--	5,000	--
Forest Service for general telegraphic services .....	5,000	--	5,000	--	5,000	--
Foreign Agri. Service for general telegraphic services .....	77,309	2	20,000	1	20,000	1
Agricultural Stabilization & Conservation Service for statistical services .....	15,000	--	15,000	--	15,000	--
Federal Grain Inspection Service for statistical services .....	205,185	5	205,000	5	205,000	5
Packers & Stockyards Administration for statistical services .....	50,000	1	30,000	1	30,000	1
National Agricultural Statistics Service for statistical services .....	10,000	--	10,000	--	10,000	--
Food Safety & Inspection Service for administrative support..	8,506	--	11,000	--	11,000	--
Food & Nutrition Service for commodity procurement services .....	201,000	5	204,000	5	204,000	5
Miscellaneous Reimbursements .....	20,000	--	10,000	--	10,000	--
Total, Other USDA Appropriations...	607,000	13	525,000	12	525,000	12
Total, Agriculture Appropriations ..	32,984,000	648	33,876,000	683	33,612,000	645
Permanent Appropriations:						
Funds for strengthening Markets, Income, and Supply (Sec. 32)	3,787,648,275	135	4,240,881,930	148	4,552,833,158	148

Continued on next page



## AGRICULTURAL MARKETING SERVICE

## Available Funds and Staff-Years

1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Carryin .....	158,931,405	--	221,589,429	--	183,779,154	--
Deduct transfers out ....	-3,353,363,231	--	-3,874,140,205	--	-4,149,572,000	--
Deduct carryout .....	-221,589,429	--	-183,779,154	--	-225,000,312	--
Net AMS .....	371,627,020	135	404,552,000	148	362,040,000	148
Perishable Agricultural						
Commodities Act Fund ...	4,057,421	108	5,329,000	122	5,329,000	122
Total, Permanent						
Appropriations ....	375,684,441	243	409,881,000	270	367,369,000	270
Non-Federal Funds:						
American Egg Board for						
oversight work .....	56,598	1	55,000	1	55,000	1
Beef Board for						
oversight work .....	125,088	2	218,000	2	218,000	2
Pork Board for						
oversight work .....	93,443	1	183,000	2	183,000	2
Cotton Board for						
oversight work .....	103,554	2	117,000	2	117,000	2
Dairy Industry for						
oversight work .....	265,051	4	300,000	4	300,000	4
Potato Board for						
oversight work .....	46,811	1	54,000	1	54,000	1
Honey Board for						
oversight work .....	28,691	1	44,000	1	44,000	1
Wheat Industries						
Council for						
oversight work .....	10,271	--	--	--	--	--
Egg products inspection:	542,331	13	550,000	13	550,000	13
Fees for grading of						
cotton and tobacco ...	24,514,413	529	37,222,000	545	31,701,000	545
Grading of farm pro-						
ducts for producers,						
processors, and						
municipal, State and						
Federal Agencies ....	81,381,889	2,138	85,979,000	2,096	85,979,000	2,073
Milk Market Administra-						
tors for Federal Tele-						
communications System&						
employee compensation:	95,000	--	78,000	--	78,000	--
States for collection						
& dissemination of						
market news						
information .....	191,701	4	166,000	3	166,000	3
Total, Non-Federal						
Funds .....	107,454,841	2,696	124,966,000	2,670	119,445,000	2,647
Milk Market Orders						
Assessment Funds ....	32,043,317	578	35,110,000	567	36,865,000	567
Total, Agricultural						
Marketing Service .....	548,166,599	4,165	603,833,000	4,190	557,291,000	4,129

Full-Time Equivalent  
Staff-Years

	1987 Actual	1988 Estimated	1989 Estimated
Ceiling .....	3,961	3,961	3,900
Non-Ceiling .....	204	229	229
Total .....	4,165	4,190	4,129

AGRICULTURAL MARKETING SERVICE  
Permanent Positions by Grade and Staff-Year Summary  
1987 and Estimated 1988 and 1989

GRADE	1987			1988			1989		
	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL
ES-6	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-4	3	--	3	3	--	3	3	--	3
ES-3	5	--	5	5	--	5	5	--	5
ES-2	2	--	2	2	--	2	2	--	2
ES-1	--	--	--	--	--	--	--	--	--
GS/GM-15	22	2	24	22	2	24	22	2	24
GS/GM-14	67	19	86	67	19	86	67	19	86
GS/GM-13	101	61	162	105	64	169	98	64	162
GS-12	115	172	287	119	178	297	108	178	286
GS-11	41	253	294	42	260	302	36	260	296
GS-10	--	17	17	--	17	17	--	17	17
GS-9	61	741	802	63	760	823	60	760	820
GS-8	8	270	278	9	276	285	9	276	285
GS-7	49	166	215	50	171	221	48	171	219
GS-6	40	35	75	41	36	77	39	36	75
GS-5	42	185	227	44	189	233	41	189	230
GS-4	37	164	201	38	166	204	35	166	201
GS-3	18	24	42	19	24	43	18	24	42
GS-2	5	--	5	4	--	4	3	--	3
GS-1	1	--	1	1	--	1	--	--	--
Milk Market Orders Administrators and Staff .....	--	584	584	--	600	600	--	600	600
Ungraded Positions .....	2	22	24	2	25	27	2	25	27
Total Permanent Positions .....	621	2,715	3,336	638	2,787	3,425	598	2,787	3,385
Staff-Years:									
Ceiling .....	622	3,339	3,961	636	3,325	3,961	595	3,305	3,900
Non-Ceiling .....	10	194	204	10	219	229	10	219	229
TOTAL .....	632	3,533	4,165	646	3,544	4,190	605	3,524	4,129



## AGRICULTURAL MARKETING SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
<b>Personnel Compensation:</b>			
Headquarters .....	5,581,322	6,125,000	5,015,000
Field .....	<u>12,250,379</u>	<u>13,635,000</u>	<u>13,739,000</u>
11 Total personnel compensation .....	17,831,701	19,760,000	18,754,000
12 Personnel benefits .....	2,741,206	3,197,000	3,227,000
13 Benefits for former personnel .....	<u>58,549</u>	<u>78,000</u>	<u>1,201,000</u>
Total Personnel Compensation and Benefits .....	<u>20,631,456</u>	<u>23,035,000</u>	<u>23,182,000</u>
<b>Other Objects:</b>			
21 Travel .....	1,157,549	1,411,000	1,375,000
22 Transportation of things ..	81,790	102,000	104,000
23.2 Rental payments to others.	267,257	270,000	281,000
23.3 Communications, utilities and misc. charges .....	2,324,168	2,353,000	2,442,000
24 Printing and reproduction.	136,867	159,000	157,000
25 Other services .....	3,946,702	4,055,000	4,629,000
26 Supplies and materials ...	559,330	554,000	537,000
31 Equipment .....	980,731	470,000	380,000
41 Grants, subsidies, and contributions .....	915,809	942,000	--
42 Insurance claims and indemnities .....	47,062	--	--
43 Interest and dividends ..	<u>465</u>	<u>--</u>	<u>--</u>
Total Other Objects .....	<u>10,417,730</u>	<u>10,316,000</u>	<u>9,905,000</u>
Total Direct Obligations .....	<u>31,049,186</u>	<u>33,351,000</u>	<u>33,087,000</u>
<b>Position Data:</b>			
Average Salary, ES positions .....	\$71,742	\$72,555	\$72,555
Average Salary, GM/GS positions .....	\$27,229	\$27,787	\$27,752
Average Grade, GM/GS positions .....	8.8	8.8	8.8

## AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Marketing Services:

- For necessary expenses to carry on services related to consumer protection, agricultural marketing and distribution and regulatory programs
- 1 as authorized by law, [and for administration and coordination of payments to States;] including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$70,000 for
  - 2 employment under 5 U.S.C. 3109, [~~\$32,409,000~~; of which not less than \$1,591,000 shall be available for the Wholesale Market Development Program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country] \$33,087,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

The first change proposes deletion of the language related to the administration and coordination of the separate appropriation account, "Payments to States and Possessions" since this program is proposed for elimination in FY 1989.

The second change proposes deletion of the language related to the Wholesale Market Development Program since this program is proposed for elimination in FY 1989 and only close-out funds are requested.

## MARKETING SERVICES

Appropriation Act, 1988 .....	\$32,409,000
Budget Estimate, 1989.....	33,087,000
Increase in Appropriation .....	<u>+678,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Market News Service .....	\$15,065,000	+\$270,000	+\$832,000	\$16,167,000
Inspection and Standardization .....	13,700,000	+261,000	+185,000	14,146,000
Market Protection and Promotion .....	2,053,000	+17,000	-312,000	1,758,000
Wholesale Market Development .....	<u>1,591,000</u>	<u>--</u>	<u>-575,000</u>	<u>1,016,000</u>
Total Available .....	<u>32,409,000</u>	<u>+548,000</u>	<u>+130,000</u>	<u>+33,087,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
	<u>Amount</u>	<u>Staff- Years</u>	<u>Staff- Years</u>
1. <u>Market News</u>			
Service:			
(a) Cotton and cottonseed:	\$1,677,362	31	\$1,593,000: 30
(b) Dairy products ..:	461,272	10	403,000: 9
(c) Fruits and vegetables:	3,946,572	99	4,368,000: 107
(d) Livestock, meats&grain:	5,643,091	127	5,920,000: 131
(e) Poultry products ..:	1,792,273	41	2,009,000: 44
(f) Tobacco .....	622,756	16	772,000: 19
Total, Market News Service .....	14,143,326	324	15,065,000: 340
2. <u>Inspect. and Standardiza.</u>			
(a) Egg products inspection:	8,720,985	172	9,331,000: 181
(b) Standardization .....	3,948,900	75	4,369,000: 82
Total, Inspect. & Standardiza.:	12,669,885	247	13,700,000: 263
3. <u>Market Protection and Promotion:</u>			
(a) Federal Seed Act ..:	993,226	22	1,047,000: 22
(b) Plant Variety Protection Act .....	348,549	7	234,000: 5
(c) Market development and assistance:	502,886	10	772,000: 14
Total, Market Protection and Promotion .....	1,844,661	39	2,053,000: 41
4. <u>Wholesale Market Development</u>			
Development ..:	1,475,505	25	1,591,000: 27
Unobligated bal.:	1,301,623	--	--
Total, appropriation:	31,435,000	635	32,409,000: 671
			+678,000: 33,087,000: 633

EXPLANATION OF PROGRAM1. Market News Service:

The market news program is carried out under the following authorities:

Agricultural Marketing Act of 1946  
 Cotton Statistics and Estimates Act of 1927  
 Naval Stores Act  
 Tobacco Statistics Act  
 Tobacco Inspection Act of 1936  
 U.S. Cotton Futures Act  
 Peanut Statistics Act  
 Food Security Act of 1985

Market news information is gathered on various agricultural products including dairy products, fruits and vegetables, livestock and meat, grain, poultry, eggs, cotton and tobacco. Market news provides those engaged in the production and marketing of farm products, as well as related industries with timely, accurate, and unbiased market information. This market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices at specific markets for practically all agricultural commodities. On a day-to-day basis those interested in market conditions are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by both Federal and State reporters at trading points or by telephone. Information collected by these reporters is analyzed and disseminated immediately to the agricultural community by automatic telephone answering devices, printed reports, radio and television, newspaper columns, and data networks. National information is integrated with local information and released in a form easily understood by the industry and locality served. In October 1981, AMS began charging subscription fees to cover postage and handling for commodity market news reports. On October 1, 1987, AMS began charging subscription fees for its various cotton market news printed and mailed reports. Subscription fees are now charged for all printed and mailed reports except tobacco.

Market News Workload Data, FY 1987:

<u>Commodity Group</u>	<u>Field Offices</u>		<u>Buyers and Sellers Inter-viewed</u>	<u>Printed Reports Issued (Thous.)</u>	<u>Number on Mailing List</u>	<u>No. of Federal Reporters</u>	<u>No. of Markets Covered</u>
	<u>Year Round</u>	<u>Sea-sonal</u>					
Cotton and Cottonseed	5	--	5,236	342	6,964	7	7
Dairy and Dairy Products	2	--	500	89	2,230	6	53
Fruits and Vegetables	36	20	10,230	1,426	25,422	50	780
Livestock, Grain, and Meat	53	--	14,700	326	5,579	79	675
Poultry and Eggs	14	--	1,600	85	1,205	26	81
Tobacco	2	2	500	16	950	3	149

## 2. Inspection, Grading and Standardization:

This program is carried out under the following authorities:

Agricultural Marketing Act of 1946  
 Cotton Statistics and Estimates Act of 1927  
 U.S. Cotton Futures Act  
 United States Cotton Standards Act  
 Naval Stores Act  
 Tobacco Inspection Act of 1936  
 Tobacco Statistics Act  
 Wool Standards Act  
 Egg Products Inspection Act  
 Dairy and Tobacco Adjustment Act of 1983  
 Food Security Act of 1985

This program covers three distinct areas that facilitate the domestic and international marketing of agricultural commodities: development and maintenance of commodity quality standards, egg products inspection and commodity grading.

- a. Standards. AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition. Standards are developed for use in the user financed grading of cotton, tobacco, naval stores, wool, mohair, livestock and meat, poultry, eggs, fruits, vegetables, nuts, and dairy products.

### Standardization Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
International and U.S. standards in effect, end of year	639	637	637
Number of commodities covered	191	192	193
Standards revised	53	11	14

### Federal Food Specifications:

AMS also develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, St. Elizabeth's Hospital, Indian Health Service, National Institutes of Health, Bureau of Prisons, National Marine Fisheries Services, and the Veterans Administration. The major goal of this program is to update and streamline Federal food specifications to improve the cost efficiency of Federal food purchasing by using commercial item descriptions wherever possible.

### Federal Food Specification Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Commercial Item Descriptions (CID's) developed, coordinated and approved	21	15	15
CID's revised	7	6	6
Federal specifications approved	4	3	3
Documents cancelled	29	15	15
Department of Defense food documents coordinated	56	25	25
Food product descriptions reviewed	85	50	50
Federal specifications amended	3	2	2



- b. Inspection. This activity involves continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products to ensure consumers purchase wholesome, unadulterated and truthfully labeled egg products. In cooperation with State Departments of Agriculture, shell egg grading operations are inspected at least four times yearly to control the disposition of certain types of undergrade and restricted eggs.

Egg Products Inspection Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Egg products inspected (million pounds)	1,447	1,520	1,590
Egg products accepted (million pounds)	4	4	4
Egg products plants	92	94	94
Egg handler surveillance visits	10,950	9,300	9,000
States and Commonwealths with cooperative agreements	52	52	52
Laboratory samples analyzed:			
Food chemistry and microbiology	41,670	42,200	42,350
Chemical residues	562	575	575

- c. Grading. The grading process involves the application of quality standards to agricultural commodities. Grading services are offered to users who pay published fees for services provided. These services facilitate marketing by permitting purchasers to buy commodities without having to inspect them personally and by providing an impartial evaluation of the quality of products prior to their sale. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller.

Grading Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Cotton Classifications (thousand bales):			
Smith-Doxey Amendment	10,038	12,860	12,060
United States Cotton Standards Act:			
Public Classing Service	19	22	22
U.S. Cotton Futures Act	<u>174</u>	<u>175</u>	<u>175</u>
Total, Cotton Classifications	10,231	13,057	12,257
Cottonseed Grade Certificates Issued: (thousands)	26	35	30
Poultry and Egg Grading:			
Poultry products graded (includes rabbits - million pounds)	14,276	15,265	15,965
Shell eggs graded (million dozen)	1,725	1,700	1,680
Pounds accepted (poultry - million pounds)	1,761	1,840	1,930
Dozens accepted (eggs - million dozen)	467	450	440
Meat Grading:			
Meat graded (million pounds)	12,200	12,500	13,000
Meat accepted (million pounds)	850	850	850
Livestock Grading:			
Livestock graded (million pounds)	47	110	110
Fresh Fruit and Vegetable & Nut Grading:			
Product inspected (million pounds)	71,500	72,300	73,100
Processed Fruit and Vegetable Grading:			
Product inspected (million pounds)	13,700	13,900	14,000



	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Dairy Grading:			
Butter graded (million pounds)	909	940	900
Cheese graded (million pounds)	1,305	1,195	1,300
Dry milk graded (million pounds)	1,154	1,876	1,000
Other products graded (million pounds)	125	197	125
Plant inspections	3,110	3,000	3,000
Tobacco Grading:			
Flue-cured (million pounds)	758	750	750
Fire-cured (million pounds)	38	20	20
Dark air-cured (million pounds)	10	7	7
Burley (million pounds)	480	490	490
Tobacco Reinspection (million pounds)	103	100	100
Imported Tobacco Inspection (million pounds)	<u>210</u>	<u>200</u>	<u>200</u>
Total, Tobacco Inspection and Grading	1,599	1,567	1,567

### 3. Market Protection and Promotion:

In the administration of market protection and promotion activities the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946  
 Agricultural Fair Practices Act  
 Capper Volstead Act  
 Cotton Research and Promotion Act  
 Egg Research and Consumer Information Act  
 Export Apple and Pear Act  
 Export Grape and Plum Act  
 Federal Seed Act  
 National Wool Act of 1954  
 Plant Variety Protection Act  
 Potato Research and Promotion Act  
 Dairy and Tobacco Adjustment Act of 1983  
 Honey Research, Promotion and Consumer Information Act  
 Beef Promotion and Research Act of 1985  
 Pork Promotion, Research, and Consumer Information Act of 1985  
 Watermelon Research and Promotion Act

- a. Federal Seed Act. This Act prohibits mislabeled agricultural and vegetable seed from moving in interstate commerce. This program is conducted under a cooperative agreement with each State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should a test of the sample reveal infractions of the Act, an investigation of the apparent allegation is initiated by cooperating State agencies. Based on the results of the tests, AMS attempts to resolve each case administratively. If a case cannot be resolved administratively, AMS will initiate appropriate legal action. Intrastate infractions of the Act are handled by the States. The Federal Seed Act is proposed for elimination in FY 1989.

#### Federal Seed Act Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
<u>Seed Testing:</u>			
<u>Seed samples tested in connection with:</u>			
Interstate shipments	1,155	1,100	--
Check tests	564	500	--
Variety testing	<u>1,895</u>	<u>1,800</u>	--
Total number of samples tested	3,614	3,400	--

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
<u>Interstate Enforcement:</u>			
<u>Cases for Investigation:</u>			
Total to be investigated	1,277	1,300	--
Investigations completed	683	700	--
Pending at end of year	594	600	--
<u>Administrative Actions:</u>			
No action warranted	165	150	--
Warnings issued	358	400	--
Citations issued	125	150	--
Prosecutions recommended	--	--	--
<u>Administrative Settlements:</u>			
Settlements terminated	120	100	--
Settlements pending	8	10	--

- b. Plant Variety Protection Act. This program offers legal protection to developers of novel varieties of plants which reproduce by seed through the issuance of a certificate of plant variety protection that remains in effect for 18 years. Beginning in FY 1988, fees that are being charged to those applying for certificates of protection will be retained by AMS to offset the cost of this program.

Plant Variety Protection Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Backlog of applications, beginning of year	269	274	255
New applications received	214	191	193
Certificates issued	205	200	200
Applications abandoned	4	10	10
Pending applications, end of year	274	255	238
Number of years to process backlog applications	1.4	1.3	1.2

- c. The Research and Promotion Acts. The various Research and Promotion Acts provide for the collection of an assessment from producers to carry out research and promotion activities for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, and watermelon. It is the responsibility of AMS to review and approve the budgets and the projects proposed by the research and promotion boards. Each research and promotion activity reimburses AMS for the cost of overseeing each program.

Research and Promotion Programs  
(Dollars in Millions)

<u>Programs</u>	<u>FY 1987 Actual</u>		<u>FY 1988 Estimate</u>		<u>FY 1989 Estimate</u>	
	<u>Assessments Collected</u>	<u>Funds Expended</u>	<u>Assessments Collected</u>	<u>Funds Expended</u>	<u>Assessments Collected</u>	<u>Funds Expended</u>
Beef	\$43.0	\$25.0	\$43.0	\$35.0	\$43.0	\$40.0
Cotton	26.0	20.2	37.0	23.9	34.8	23.7
Dairy-MMO	14.0	12.6	14.4	12.7	14.8	13.1
Dairy-National	78.3	71.8	79.1	84.7	81.6	86.3
Egg	6.8	3.5	4.0	2.4	4.0	2.4
Honey	1.6	.4	1.9	1.5	1.9	1.5
Pork	22.0	20.5	20.0	16.8	18.0	15.0
Potato	5.6	4.8	5.7	4.9	5.7	4.8
Total	197.3	158.8	205.1	181.9	203.8	186.8

The Beef Promotion and Research Act became effective in July 1986. Assessments under the program began October 1, 1986. In May of 1988, producers will decide in a referendum whether to continue or abolish the program. Requests for refunds cannot be considered until then.

The Pork Research and Promotion Program became effective as part of the 1985 Food Security Act. Assessments under this program began in November 1986. A referendum to determine whether this program should continue will be held in September 1988.

Hearings on the need for a research and promotion program, authorized under the Watermelon Research and Promotion Act of 1985, were held in February and March of 1987. AMS is now in the process of finalizing a recommendation based upon the hearings. If the recommendation is favorable, the proposal will go to producer referendum later in 1988.

#### 4. Wholesale Market Development:

Activities in this program are carried out under the authority of the Agricultural Marketing Act of 1946.

The wholesale market development program conducts research in assessing alternative marketing systems and practices and provides technical assistance aimed at improving market efficiency with emphasis on the most effective types of facilities needed to market farm products and distribute food within urban areas. Projects are conducted in cooperation with growers, trade groups, individual food companies, and State and local governments.

Wholesale market activities underway in FY 1988 involve planning for new markets, as well as planning for renovating and expanding existing centers. Included in these plans are markets in: Benton Harbor, Michigan; Northeastern Mississippi; Southwest Georgia; Buffalo and Syracuse, New York; and the Maryland Wholesale Food Center in Jessup serving the Washington-Baltimore area. Other major program activities include preliminary analysis and technical assistance for market development in Alabama, Missouri, North Carolina, Virginia, Ohio, and Massachusetts.

Other activities supporting wholesale marketing and marketing systems are also underway including: identification of alternative marketing opportunities for farmers; Universal Product Code development for variable weight produce; a market analysis and feasibility of an alfalfa cubing plant; alternative methods for disinfestation of grapefruit; centralized marketing of fresh vegetables by 14 small farmer cooperatives constituting the Horticultural Producer Federated Association; modularization recommendations for frozen food containers; improved workplace designs for meat and poultry inspection; exporting dry edible beans to Europe; developing a commercial fresh vegetable industry in Washington-Oregon to export fresh vegetables to the Pacific Rim countries; and analyzing computer requirements for wholesale fruit and vegetable dealers.

The wholesale market development program is proposed for elimination in FY 1989.

#### Wholesale Market Development Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Wholesale market facilities studies completed	2	2	-
Research projects completed	5	3	-

OIG Reports:

#01-099-22-HY	6/25/87	Dairy Promotion Program -- Audit to evaluate the internal controls over the National Dairy Promotion and Research Program.
#SF-160-302	08/07/87	Almond Market Order 981, California -- Investigative report focusing on the disposition of inedible almonds.
#50099-18-AT	11/12/87	Imported Flue-Cured & Burley Tobacco Certification Program -- Review of AMS Administration of the Import Certification Program.

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$1,102,000 for market news (\$15,065,000 available in FY 1988) consisting of:
- (a) An increase of \$270,000 to fully fund 1988 pay costs and an increase of \$182,000 to offset increased operating costs.
  - (b) A program increase of \$650,000 to enhance market news activities.

Need for Change. The goal of the market news program is to provide the public with timely, accurate, and understandable information on current market conditions. To enhance the system and make the information more timely and useful, the current method used for collection, processing, and dissemination of market news information needs to be updated with technology currently available.

Nature of Change. It is necessary to develop and maintain a computerized data base and communications network which will improve the timeliness of delivery and the accuracy of market news information. The new system will improve the operational efficiency of market news, allow the information to be accessible to a greater number of buyers and sellers and allow users to better manipulate data, thereby increasing the efficient utilization of the information.

- (2) A net increase of \$446,000 for inspection and standardization (\$13,700,000 available in FY 1988) consisting of an increase of \$261,000 to fully fund 1988 pay costs and an increase of \$185,000 to offset increased operating costs:
- (3) A net decrease of \$295,000 for market protection and promotion (\$2,053,000 available in FY 1988) consisting of:
  - (a) an increase of \$17,000 to fully fund 1988 pay costs and an increase of \$13,000 to offset increased operating costs.
  - (b) a net decrease of \$325,000 for the Federal Seed Act consisting of a decrease of \$1,047,000 to eliminate the program and a one-year appropriation of \$722,000 to fund closeout costs.

Need for Change. The Federal Seed Act is a truth-in-labeling law which regulates agricultural and vegetable seeds moving in interstate commerce. The program is conducted in cooperation with the States, each of which has a State seed law with jurisdiction over sellers within the State. In the absence of the Federal Seed Act program, States can be expected to amend their programs to deal with interstate seed shipments.



In addition, the laboratory tests currently provided under the Act can be obtained from private commercial labs and some State labs. Program closeout will require funding to finance costs that will remain once the program has been eliminated. These costs include unemployment compensation, severance pay, and accrued annual leave liability.

The remaining market protection and promotion programs (market development and assistance and plant variety protection) require a net increase to fund pay costs and offset increased operating costs which will allow the Agency to provide full services.

Nature of Change. AMS activities under the Federal Seed Act will be eliminated. Funding in FY 1989 for this activity will cover one-time closeout costs for Federal Seed and maintain existing performance levels for the remaining programs.

- (4) A net decrease of \$575,000 for wholesale market development consisting of a decrease of \$1,591,000 (\$1,591,000 available in FY 1988) to eliminate the program and a one-year appropriation of \$1,016,000 to fund closeout costs.

Need of Change. Federal participation in the development of major wholesale markets in recent years has provided the research and technology necessary for local governments and the private sector to continue this work. In addition, the benefits derived from wholesale markets are at the local level which limits their national priority. Closeout expenses include those costs that remain after elimination of the program such as unemployment compensation, severance pay, and accrued annual leave liability.

Nature of Change. The wholesale market development program will be eliminated. Local research and assistance for improved food distribution can be provided as needed by State, local or private groups. One-time closeout funds will be provided to cover liabilities that remain after program elimination.

Agricultural Marketing Service  
Marketing Services  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama .....	\$227,388	5	\$245,000	5	\$256,000	5
Alaska .....	6,108	--	6,000	--	6,000	--
Arizona .....	229,365	6	254,000	7	272,000	7
Arkansas .....	327,187	7	349,000	7	363,000	7
California .....	2,136,876	50	2,306,000	52	2,420,000	52
Colorado .....	263,414	7	291,000	8	311,000	8
District of Columbia.	12,621,259	199	13,477,000	208	13,059,000	170
Florida .....	268,776	6	292,000	7	308,000	7
Georgia .....	581,262	15	635,000	16	673,000	16
Hawaii .....	7,261	--	8,000	--	8,000	--
Idaho .....	58,521	2	65,000	2	70,000	2
Illinois .....	521,746	15	571,000	16	612,000	16
Indiana .....	320,384	7	344,000	8	359,000	8
Iowa .....	2,266,897	54	2,453,000	57	2,580,000	57
Kansas .....	163,940	5	182,000	5	195,000	5
Kentucky .....	92,827	3	103,000	3	111,000	3
Louisiana .....	153,551	4	170,000	4	182,000	4
Maine .....	50,165	1	55,000	1	59,000	1
Maryland .....	152,003	4	162,000	4	171,000	4
Massachusetts .....	139,407	4	155,000	4	166,000	4
Michigan .....	110,419	3	120,000	3	128,000	3
Minnesota .....	767,070	18	829,000	19	871,000	19
Mississippi .....	245,179	6	264,000	6	277,000	6
Missouri .....	750,891	19	826,000	22	877,000	22
Montana .....	47,949	1	53,000	1	57,000	1
Nebraska .....	214,891	6	238,000	7	255,000	7
New Jersey .....	710,541	17	768,000	18	807,000	18
New Mexico .....	4,869	--	5,000	--	5,000	--
New York .....	749,670	19	807,000	20	855,000	20
North Carolina .....	896,768	19	960,000	21	1,000,000	21
Ohio .....	268,766	6	289,000	6	303,000	6
Oklahoma .....	115,359	3	127,000	3	135,000	3
Oregon .....	176,234	4	192,000	5	203,000	5
Pennsylvania .....	543,071	14	593,000	15	627,000	15
Puerto Rico .....	38,047	1	40,000	1	41,000	1
South Carolina .....	591,326	16	602,000	16	652,000	16
South Dakota .....	99,563	3	110,000	3	118,000	3
Tennessee .....	1,455,602	43	1,554,000	45	1,683,000	45
Texas .....	521,647	14	572,000	15	608,000	15
Utah .....	53,207	1	56,000	1	58,000	1
Virginia .....	29,386	1	32,000	1	33,000	1
Virgin Islands .....	1,231	--	1,000	--	1,000	--
Washington.....	479,869	12	522,000	12	551,000	12
West Virginia .....	65,404	2	72,000	2	77,000	2
Wisconsin .....	524,445	11	561,000	12	584,000	12
Wyoming .....	83,636	2	93,000	3	100,000	3
Total, Available or Estimate .....	\$30,133,377	635	\$32,409,000	671	\$33,087,000	633





## AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Payments to States and Possessions:]

[For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b)) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$942,000.]

This change proposes deletion of the Payments to States program which has been in effect since 1948. During that period of time, those State Departments of Agriculture so inclined have been able to build a capability to respond to marketing service needs. The Administration no longer believes it is necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to address specific local marketing problems.

PAYMENTS TO STATES AND POSSESSIONS

Appropriation Act, 1988 .....	\$942,000
Budget Estimate, 1989 .....	--
Decrease in Appropriation .....	<u>-942,000</u>

PROJECT STATEMENT

Project	: 1987 : : Actual :	: 1988 : : Estimated :	: Increase or : : Decrease :	: 1989 : : Estimated :
Payments for marketing service	:	:	:	:
work under Section 204(b) of	:	:	:	:
the Agricultural Marketing	:	:	:	(1):
Act of 1946 .....	\$915,809:	\$942,000	-\$942,000	--
Unobligated balance .....	26,191:	--	--	--
Total, appropriation .....	942,000:	942,000	-942,000	--

EXPLANATION OF PROGRAM

The Federal-State Marketing Improvement Program is authorized by Section 204(b) of the Agricultural Marketing Act of 1946. This legislation also grants the U.S. Department of Agriculture authority to establish cooperative agreements with State Departments of Agriculture or similar State agencies. These agreements make possible joint efforts to improve the efficiency of the agricultural marketing chain. The States perform the work or contract it to others, and must contribute at least half of the cost of the projects.

Payments are made to State marketing agencies to: identify and market test alternative farm commodities; determine methods of providing more reliable market information, and develop better commodity grading standards. This program has covered many types of projects, such as electronic marketing and agricultural product diversification. The general themes of the current projects includes the adaptation of new technology to the marketing of farm products, and seeking new outlets for existing farm produced commodities.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$942,000 for elimination of the Payments to States and Possessions program (\$942,000 available in FY 1988).

Need for Change. Federal funds have been provided to States to pay up to half the cost of pilot-testing cooperatively sponsored projects proposed by the States to solve local marketing problems. The program has been underway since 1948 and during that period of time those State Departments of Agriculture so inclined have been able to develop a capability to respond to their marketing service needs. The Administration believes it is no longer necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to address specific local marketing problems.

Nature of Change. Federal matching funds would no longer be provided to assist States in funding projects to deal with specific State or local marketing problems.

Agricultural Marketing Service  
 Payments to States and Possessions  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Alaska .....	\$15,000		
Colorado.....	40,000		
Idaho .....	70,000		
Illinois .....	35,000		
Iowa .....	16,000		
Kentucky .....	59,107		
Massachusetts .....	40,000		
Mississippi .....	30,000		
Montana .....	55,000		
New Jersey .....	70,000		
New York .....	44,952		
Oklahoma .....	75,000		
Texas .....	130,000		
Vermont .....	50,000		
Virginia .....	125,750		
Washington .....	60,000		
<hr/>			
Total, Available or Estimate .....	<u>\$915,809</u>	<u>\$942,000 a/</u>	<u>--</u>

a/ Distribution of obligations by State not available until projects have been selected for funding in FY 1988.



PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriation Act, 1988 (from receipts) .....	\$5,329,000
Budget Estimate, 1989 (from receipts) .....	<u>5,329,000</u>
Change in Appropriation.....	<u>--</u>

PROJECT STATEMENT  
(On basis of available funds)

Project	:. 1987 Actual	:. Staff-:	:. 1988 Estimated.	: Staff-:	: Increase:	:. 1989 Estimated	: Staff-:
	: Amount	: Years	: Amount	: Years	: Decrease:	: Amount	: Years.
Licensing dealers	:	:	:	:	:	:	:
and handling	:	:	:	:	:	:	:
complaints.....	:\$4,057,421:	108	:\$5,329,000:	122	: --	:\$5,329,000:	122
Unobligated	:	:	:	:	:	:	:
balance available	:	:	:	:	:	:	:
start of period..	:-563,406:	--	:-339,526:	--	: --	:-339,526:	--
Unobligated	:	:	:	:	:	:	:
balance available	:	:	:	:	:	:	:
end of period....	: 339,526:	--	: 339,526:	--	: --	: 339,526:	--
Total available	:	:	:	:	:	:	:
or estimate.....	: 3,833,541:	108	: 5,329,000:	122	: --	: 5,329,000:	122

OBLIGATION LEVELS  
(On basis of available funds)

Item	: 1987	: 1988	: 1989
	: Actual	: Estimated	: Estimated
Appropriation (from receipts) .....	: \$3,833,541	: \$5,329,000	: \$5,329,000
Unobligated balance available, start of	:	:	:
period .....	: 563,406	: 339,526	: 339,526
Total available .....	: 4,396,947	: 5,668,526	: 5,668,526
Total obligations .....	: -4,057,421	: -5,329,000	: -5,329,000
Unobligated balance available, end of	:	:	:
period .....	: 339,526	: 339,526	: 339,526

EXPLANATION OF PROGRAMPERISHABLE AGRICULTURAL COMMODITIES ACT

This program is carried out under the following authorities:  
Perishable Agricultural Commodities Act  
Produce Agency Act

These Acts are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others.



Commission merchants, dealers, brokers, and retailers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act. Agents are required to give a correct accounting to their employer. Buyers and sellers must fulfill the terms of contractual agreements, and buyers must pay promptly for their purchases.

Traders who have been found in a formal proceeding to have violated the prompt payment provision of this Act are penalized by restrictions on trading in the industry for a specific period of time. When eligible to resume trading, they are required to post surety bonds before operating. False or misleading statements, misbranding, and similar violations are prohibited.

To increase protection and avert financial losses to growers and licensed firms, the Perishable Agricultural Commodity Act was amended in May 1984 to create a statutory trust on perishable agricultural commodities. Sellers of fruits and vegetables who have not been paid and who file proper notice are secured under this legislation until full payment is made. These sellers are also secured in the event the buyer files for bankruptcy or becomes insolvent. This legislation also improves the timeliness of payment.

Complaints of violations are investigated and violations dealt with by:

(1) informal agreements between the two parties; (2) formal decisions involving payment of reparation awards; and/or (3) suspension or revocation of license and/or publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the Perishable Agricultural Commodities Act.

License fees are deposited into a special fund and are used to meet the costs of administering these Acts. The annual PACA license fee is \$300, plus \$150 for every branch or business facility above nine, up to a maximum annual fee of \$3,000.

Perishable Agricultural Commodities Act Workload Data:

	<u>FY 1987</u> <u>Actual</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Estimate</u>
<u>Licensing Activities:</u>			
Licenses renewed	13,500	13,600	13,600
New licenses issued	<u>2,150</u>	<u>2,200</u>	<u>2,200</u>
In effect, end of year	15,650	15,800	15,800
<u>Actions Completed: *</u>			
License actions	16,660	17,000	17,500
Reparation actions	40,380	40,600	40,700
Disciplinary actions	288	300	310
Personal investigations	1,920	2,000	2,050
Statutory Trust actions	40,000	42,000	40,000
Misbranding actions	<u>500</u>	<u>525</u>	<u>550</u>
Total Actions Completed	99,748	102,425	101,110
<u>Reparations:</u> (Dollars in Thousands)			
Awarded - Formal orders	\$8,900	\$9,000	\$9,500
Payments - Amicable settlements	<u>10,800</u>	<u>11,000</u>	<u>11,500</u>
Total Reparations	\$19,700	\$20,000	\$21,000
<u>Statutory Trust</u>			
Notices Filed	40,000	45,000	45,000
Refunds to sellers (Dollars in Millions)	\$200	\$225	\$250

\* Statutory Trust Notices included in Actions Completed.

Agricultural Marketing Service  
Perishable Agricultural Commodities Act  
Geographic Breakdown of Obligations and Staff-Years  
1987 and Estimate 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
California .....	\$494,942	12	\$619,000	16	\$619,000	16
District of Columbia...	2,441,589	67	3,048,000	68	3,048,000	68
Illinois.....	378,042	10	547,000	13	547,000	13
New York.....	365,694	9	570,000	12	570,000	12
Texas.....	377,154	10	545,000	13	545,000	13
Total, Available or Estimate.....	\$4,057,421	108	\$5,329,000	122	\$5,329,000	122



The estimates include appropriation language for this item as follows:

Limitation on Administrative Expenses:

Not to exceed [\$30,628,000] \$31,701,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses.

Limitation on Administrative Expenses

Appropriation Act, 1988 .....	\$30,628,000
Budget Estimate, 1989 .....	<u>31,701,000</u>
Increase in Limitation .....	<u>+1,073,000</u>

An increase in the limitation on administrative expenses is needed to fully fund 1988 pay costs in the amount of \$407,000 and to offset increased operating costs in the amount of \$666,000 in FY 1989.

## AGRICULTURAL MARKETING SERVICE

## PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates propose the purchase of ten replacements and three additional motor vehicles.

The estimated number of passenger motor vehicles available for 1989 are the minimum necessary to maintain essential services in AMS programs. These cars are used to provide the following necessary services: (1) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and (3) carrying boxes of cotton standards types used in classing work and demonstration at farmers' meetings.

Additional passenger motor vehicles. Three additional passenger motor vehicles are requested for use in performing increased imported tobacco inspection and grading services, as required by the 1985 Food Security Act. This Act placed additional responsibilities on the imported tobacco grading and certification program by requiring that imported tobacco be certified free of prohibited pesticides. The inspection of imported tobacco has increased the year-round employment of graders. In the past, graders were required to use privately owned vehicles to travel to the various states and warehouses during the six months that domestic tobacco grading is performed each year. With the greater workload required by the Food Security Act of 1985, AMS cars are needed by graders twelve months of the year. It is, therefore, more cost-effective for the government to provide cars to transport graders from their official duty stations to ports of entry than to pay expenses incurred for the use of a private car.

The regional offices for the Tobacco program are located in Lexington, KY, and Raleigh, NC. Therefore, vehicles used in this program would be based in these cities.

Replacement of passenger motor vehicles. Replacement of 10 of the 56 vehicles now in operation is proposed. All vehicles proposed to be replaced are expected to have mileage of over 60,000 or will be more than six years of age.

The age and mileage data for passenger motor vehicles on hand as of September 30, 1987, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Lifetime Mileage (thousands)</u>	<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>		<u>Number of Vehicles</u>	<u>Percentage of Total</u>
1982 or older	9	16	80-100	4	7
1983	5	9	60-80	8	14
1984	23	41	40-60	23	41
1985	10	18	20-40	9	16
1986	3	5	Under 20	<u>12</u>	<u>22</u>
1987	<u>6</u>	<u>11</u>	Total	<u>56</u>	<u>100</u>
Total	56	100			

## FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Funds For Strengthening Markets, Income and Supply (Section 32):

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$7,601,000] \$7,911,000 for formulation and administration of Marketing Agreements and Orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961.



## FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 1988 .....	\$4,240,881,930
Less transfers to:	
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries .....	-56,337,205
Food and Nutrition Service, Child Nutrition Programs .....	-3,817,803,000
Total transfers .....	-3,874,140,205
Adjusted Base for 1988 .....	366,741,725
Budget Estimate, 1989:	
Annual permanent appropriation .....	\$4,552,833,158
Less transfers to:	
Department of Commerce .....	-56,300,000
Food and Nutrition Service .....	-4,093,272,000
Total transfers .....	-4,149,572,000
Budget Estimate, 1989 .....	403,261,158
Increase from adjusted 1988 .....	<u>+36,519,433</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of adjusted appropriation)

Item of Change	1988 Estimated	Pay Costs	Program Changes	1989 Estimated
Commodity Purchases .....	\$377,900,000	--	-\$27,000,000	\$350,900,000
Disaster Relief .....	6,000,000	--	-6,000,000	--
Sunflower Oil Purchase .....	10,000,000	--	-10,000,000	--
Commodity Purchase Services .....	3,051,000	+\$18,000	+160,000	3,229,000
Marketing Agreements and Orders .....	7,601,000	+109,000	+201,000	7,911,000
Total Available .....	<u>404,552,000</u>	<u>+127,000</u>	<u>-42,639,000</u>	<u>362,040,000</u>

PROJECT STATEMENT  
(On basis of adjusted appropriation)

Project	1987 Actual Amount	Staff: Years	1988 Estimated Amount	Staff: Years	Increase or Decrease	1989 Estimated Amount	Staff: Years
1. Commodity Purchases:							
a. Child Nutrition Program							
Purchases .....	\$350,118,493	--	\$350,900,000	--	--	\$350,900,000	--
b. Emergency Surplus Removal	12,053,648	--	27,000,000	--	-27,000,000	--	--
Subtotal .....	362,172,141	--	377,900,000	--	-27,000,000(1)	350,900,000	--
2. Disaster Relief	--	--	6,000,000	--	-6,000,000(2)	--	--
3. Sunflower Oil Purchase	--	--	10,000,000	--	-10,000,000(3)	--	--
4. Administrative Funds							
a. Commodity Purchase Services	3,030,333	24	3,051,000	24	+178,000	3,229,000	24
b. Marketing Agreements & Orders	6,424,546	111	7,601,000	124	+310,000	7,911,000	124
Subtotal .....	9,454,879	135	10,652,000	148	+488,000(4)	11,140,000	148
Total obligations .....	371,627,020	135	404,552,000	148	-42,512,000	362,040,000	148
Unobligated balance available, start of year .....	-158,931,405	--	-221,589,429	--	+37,810,275	-183,779,154	--
Unobligated balance available end of year .....	221,589,429	--	183,779,154	--	+41,221,158	225,000,312	--
Total Available or Estimate .....	434,285,044	135	366,741,725	148	+36,519,433	403,261,158	148

OBLIGATION LEVELS  
(On basis of available funds)

Item	1987 Actual	1988 Estimated	1989 Estimated
Appropriation or estimate .....	\$3,787,648,275	\$4,240,881,930	\$4,552,833,158
Unobligated balance			
available, start of year ....	<u>158,931,405</u>	<u>221,589,429</u>	<u>183,779,154</u>
Total available .....	3,946,579,680	4,462,471,359	4,736,612,312
Less transfers to:			
Food and Nutrition			
Service, Child			
Nutrition Programs .....	-3,295,937,000	-3,817,803,000	-4,093,272,000
Department of Commerce ....	<u>-57,426,231</u>	<u>-56,337,205</u>	<u>-56,300,000</u>
Total transfers .....	-3,353,363,231	-3,874,140,205	-4,149,572,000
Total available after			
transfers .....	593,216,449	588,331,154	587,040,312
Less total obligations .....	<u>-371,627,020</u>	<u>-404,552,000</u>	<u>-362,040,000</u>
Unobligated balance			
available, end of year .....	221,589,429	183,779,154	225,000,312

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an amount equal to 30 percent of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. An amount equal up to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce. Additionally funds are transferred to the Food and Nutrition Service for use by the Child Nutrition Program as provided in the current Appropriation Act.

Commodity Purchases:

Pursuant to Section 32, the Agricultural Marketing Service directs the purchase of commodities such as meats and fish, fruits and vegetables, and poultry in order to stabilize market conditions and provide commodities for distribution through the Food and Nutrition Service to schools as part of the entitlement for the National School Lunch Program. In addition, AMS purchases commodities for other domestic feeding programs of the Food and Nutrition Service (FNS). AMS is reimbursed by FNS for the administrative costs associated with purchases made for FNS domestic feeding programs. Commodities purchased for market stability purposes are donated to eligible schools or public or private institutions that operate meal programs.

Commodity Purchase Services Workload Data:

	FY 1987 <u>Actual</u>	FY 1988 <u>Estimate</u>	FY 1989 <u>Estimate</u>
Contract bids received:			
Fruits and Vegetables .....	590	700	745
Meat & Fish.....	1,180 <sup>1/</sup>	650	650
Poultry .....	<u>576</u>	<u>690</u>	<u>720</u>
Total .....	2,346	2,040	2,115
Contracts awarded:			
Fruits and Vegetables .....	342	382	405
Meats & Fish.....	607 <sup>1/</sup>	385	380
Poultry .....	<u>333</u>	<u>395</u>	<u>410</u>
Total .....	1,282	1,162	1,195

<sup>1/</sup> The Food Security Act of 1985 mandated that 400 million pounds of meat be purchased in an 18-month period, from 4/1/86 to 9/30/87, to support the whole herd dairy buyout program. The FY 1987 meat purchase workload data reflects these contracts.

Summary of Purchases by Commodity Group  
(In thousands)

<u>Commodity Group</u>	<u>1986 Actual</u>		<u>1987 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Poultry.....	90,490	\$75,192	99,588	\$79,740
Meat & Fish.....	173,307	178,333	167,636	164,975
Fruit .....	157,351	63,197	147,719	63,856
Vegetables .....	<u>276,156</u>	<u>71,750</u>	<u>184,966</u>	<u>53,447</u>
Total .....	<u>697,304</u>	<u>\$388,472</u>	<u>599,909</u>	<u>\$362,018</u>

Section 32 Commodity Purchases  
FY 1986 and 1987  
(In thousands)

<u>Item</u>	<u>1986 Actual</u>		<u>1987 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Apples, Fresh .....	5,901	\$1,331	--	--
Applesauce .....	26,201	6,625	--	--
Beans, Dry .....	22,974	5,420	6,998	\$1,921
Beans, Green, Canned .....	19,854	3,871	17,269	3,728
Beans, Green, Frozen .....	1,032	300	2,158	541
Beans, Vegetarian .....	20,836	4,068	5,155	957
Beef, Boneless, Frozen .....	--	--	1,806	1945
Beef, Bulk, Frozen, Ground ..	83,407	77,933	116,456	114,266
Beef, Canned .....	18,427	22,488	--	--
Beef Patties .....	23,855	21,954	30,536	27,832
Beef, Roast .....	14,250	19,684	--	--
Blackberries, Frozen .....	--	--	624	400
Blueberries, Frozen .....	6,781	3,917	--	--
Cherries, Red, Frozen .....	11,684	5,805	36,005	14,559
Chicken, Bulk, Chilled .....	--	--	3,744	1,977
Chicken, Frozen, Cut-Up .....	61,131	38,106	35,559	21,662
Chicken, Frozen, Whole .....	5,184	2,838	--	--
Chicken, Nuggets .....	3,653	5,022	8,681	11,869
Chicken, Thighs/Drumsticks ..	1,691	951	988	508
Corn, Canned .....	18,037	4,046	--	--
Corn, Frozen.....	1,774	572	--	--
Figs, Dried .....	2,201	2,480	2,161	2,000
Lentils .....	80	34	--	--
Luncheon Meat .....	3,035	4,374	758	1,034
Mixed Fruit, Canned .....	--	--	10,296	4,517
Mixed Vegetables, Frozen ....	16,338	4,912	14,120	4,900
Peaches, Canned .....	27,173	10,465	26,445	10,905
Pears, Canned .....	40,134	14,308	38,915	13,933
Pears, Fresh .....	3,601	994	2,297	700
Peas, Canned .....	12,299	2,542	10,397	2,398
Peas, Frozen .....	2,785	714	4,558	1,159
Pineapple, Canned .....	18,715	7,865	18,675	7,767
Plums, Canned .....	3,830	1,000	3,102	806
Pollock Nuggets, Frozen .....	--	--	1,226	1,734
Pollock Portions, Frozen ....	--	--	40	61
Pork, Frozen, Ground .....	21,335	19,854	10,493	11,374
Potato Flakes, Dehydrated ...	8,160	3,336	--	--
Potatoes, French Fries .....	49,818	13,210	35,120	10,004
Potatoes, Fresh .....	16,640	1,830	--	--
Potatoes, Frozen Rounds .....	25,352	7,342	35,230	10,218
Potato Granules, Dehydrated .	6,156	2,364	--	--
Potatoes, Sweet, Mashed .....	721	181	813	201
Potatoes, Sweet, Syrup Pack .	15,836	5,221	7,338	2,308
Prunes, Dried .....	3,758	2,013	72	95

Item	1986 Actual		1987 Actual	
	Pounds	Obligations	Pounds	Obligations
Raisins .....	4,971	2,443	7,032	4,000
Refried Beans .....	--	--	1/	1/
Salmon, Canned .....	2,950	4,613	--	--
Tomatoes, Canned .....	18,964	4,613	21,634	6,031
Tomatoes Crushed, Canned ....	--	--	3,866	1,105
Tomato Paste .....	18,501	7,174	20,213	7,953
Tuna, Canned .....	6,112	7,490	6,402	6,841
Turkey, Chilled .....	1,728	1,264	3,528	1,797
Turkey, Roast .....	17,213	27,192	18,643	25,466
Turkey, Whole, Frozen .....	--	--	28,444	16,461
Walnuts, English .....	2,400	3,952	2,201	4,200
Miscellaneous .....	-174	-239	-89	-115
Total .....	697,304	\$388,472	599,909	\$362,018

1/ Less than a thousand dollars

#### Marketing Agreements and Orders:

The marketing agreements and orders program is authorized by the Agricultural Marketing Agreement Act of 1937. Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for administering marketing agreement and order programs at the national level and for public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

Marketing orders are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; and (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels.

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity.

#### Marketing Agreements and Orders Workload Data:

	Fluid Milk Orders			Fruit, Vegetable and Specialty Crop Orders		
	1987 Actual	1988 Est.	1989 Est.	1987 Actual	1988 Est.	1989 Est.
Agreement and order programs in effect.....	44	43	42	47	45	47
Requests received for new programs.....	--	--	--	4	4	4
Hearings and Petitions:						
Hearings held to consider amendments to existing orders or the issuance of orders in new areas .....	6	8	8	2	10	11
Amendments issued .....	9	8	8	2	4	4
Suspensions issued .....	18	15	15	1	1	--
Petitions received for review of orders .....	10	9	9	--	--	--
Petitions disposed of during the year .....	8	8	8	--	--	--
Administrator's decisions issued .....	4	7	7	5	4	4

	<u>Fluid Milk Orders</u>			<u>Fruit, Vegetable and Specialty Crop Orders</u>		
	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Est.</u>	<u>1989</u> <u>Est.</u>	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Est.</u>	<u>1989</u> <u>Est.</u>
Secretary's decisions issued .....	9	8	8	2	3	4
Secretary's referendum orders issued .....	1	1	1	2	3	4
Termination orders issued .....	3	2	2	1	3	--
Termination of rulemaking proceedings issued .....	--	--	--	--	--	--
<u>Order Operation and Enforcement:</u>						
Regulatory orders issued .....	N/A	N/A	N/A	92	113	128
Investigation of alleged violations .....	60	65	65	63	70	75
Cases referred to the Department of Justice for prosecution .....	25	20	22	5	12	15
Court cases resolved .....	25	25	25	4	10	12
<u>Order Management:</u>						
Appointment of an administrative committee .....	N/A	N/A	N/A	39	34	33
Promulgation of committee rulemaking .....	N/A	N/A	N/A	17	20	20
Budgets approved .....	16	16	16	45	43	45

#### JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$27,000,000 for commodity purchases (\$377,900,000 available in FY 1988).
  - (a) A decrease of \$27,000,000 in emergency surplus removal purchases. (\$27.0 million had been used as of February 1, 1988, and future needs cannot be estimated.) The budget customarily does not anticipate this need in the budget year.
- (2) A decrease of \$10,000,000 for the purchase of sunflower seed oil. This purchase was authorized for FY 1988 in the full-year continuing resolution (P.L. 100-202).
- (3) A decrease of \$6,000,000 in disaster relief purchases. The budget customarily does not anticipate this need in the budget year.  
  
Need for Change. Emergency surplus removal programs and disaster relief purchases are conducted only when the need arises. A surplus removal program can be initiated when the actual need is determined during FY 1989.  
  
Nature of Change. An emergency surplus program and disaster relief purchases are not reflected in the budget in advance of actual need for the budget year.
- (4) An increase of \$488,000 for administrative expenses (\$10,652,000 available in FY 1988) consisting of:
  - (a) An increase of \$127,000 to fully fund 1988 pay costs.
  - (b) An increase of \$160,000 to offset increased operating costs for the commodity purchase services program in FY 1989.
  - (c) An increase of \$201,000 to offset increased operating costs for the marketing agreements and orders program in FY 1989.



Agricultural Marketing Service  
Section 32 Administrative Funds  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
California .....	\$375,694	9	\$468,000	11	\$496,000	11
District of Columbia	8,836,494	116	9,616,000	125	10,033,000	125
Florida .....	94,696	2	113,000	2	121,000	2
Illinois.....	62,917	2	75,000	2	80,000	2
Oregon.....	189,891	4	246,000	5	265,000	5
Texas.....	95,187	2	134,000	3	145,000	3
Total, Available or Estimate.....	\$9,454,879	135	\$10,652,000	148	\$11,140,000	148

Disaster Relief  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Federated States of Micronesia .....	--	--	\$6,000	--	--	-
Total, Available or Estimate.....	--	--	\$6,000	--	--	--

Sunflower Oil Purchase  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Undistributed .....	--	--	\$10,000,000 1/	--	--	--
Total, Available or Estimate .....	--	--	\$10,000,000 1/	--	--	--

1/ Distribution by State cannot be determined at this time.



Agricultural Marketing Service  
Commodity Purchases  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 AND ESTIMATED 1988 AND 1989

	1987		1988		1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$3,562,439	--				
Arizona .....	1,107					
Arkansas.....	7,220,991					
California.....	61,523,594					
Colorado.....	1,331,728					
Delaware.....	613,878					
Florida.....	740,776					
Georgia.....	10,347,299					
Hawaii.....	3,807,775					
Idaho.....	8,042,298					
Illinois.....	15,282,770					
Indiana.....	1,250,408					
Iowa.....	8,104,855					
Kansas.....	73,663					
Kentucky.....	159					
Louisiana.....	1,005,825					
Maine.....	2,341,246					
Maryland.....	241,665					
Massachusetts.....	2,283,808					
Michigan.....	17,926,279					
Minnesota.....	22,124,850					
Mississippi.....	5,946,649					
Missouri.....	32,281,366					
Montana.....	1,299					
Nebraska.....	11,443,480					
New Hampshire ....	8,898					
New Jersey .....	1,455,538					
New York.....	15,347,661					
North Carolina....	4,366,138					
North Dakota .....	3,175					
Ohio.....	174,732					
Oklahoma.....	129,957					
Oregon.....	2,095,450					
Pennsylvania.....	31,893,507					
Puerto Rico .....	870,057					
South Dakota .....	1,119,469					
Tennessee.....	3,554,290					
Texas.....	32,639,232					
Utah.....	593,992					
Virginia.....	5,345,250					
Washington.....	17,444,552					
West Virginia.....	973,529					
Wisconsin.....	26,502,859					
Undistributed.....	153,648	--	\$377,900,000 1/	--	\$350,900,000 1/	--
Total, Available or Estimate.....	362,172,141	--	\$377,900,000 1/	--	\$350,900,000 1/	--

1/ Since contracts for commodity purchases are awarded to the lowest bidder,  
distribution by State cannot be determined at this time.

## OFFICE OF TRANSPORTATION

Purpose Statement

The Office of Transportation (OT) was established by Secretary's Memorandum 1966 on December 12, 1978. The Office was formed by consolidating several Departmental transportation functions to solve problems of U.S. and world agricultural transportation systems. Programs are carried out under the following legislation:

1. Agricultural Adjustment Act of 1938.
2. Agricultural Marketing Act of 1946.
3. Agricultural Trade and Assistance Act of 1954.
4. Rural Development Act of 1972.
5. International Carriage of Perishable Foodstuff Act of 1982.
6. Cooperative Marketing Act of 1926.

OT is delegated the authority given the Secretary of Agriculture to represent the interests of Agriculture and rural communities in the U.S. to assure the availability of an adequate and economical transportation system, domestically and internationally. The Office of Transportation is the agency in USDA specifically organized to coordinate broad phases of the Department's transportation policies and programs.

The mission of OT is to develop and promote an efficient agricultural transportation system to help improve farm income, expand exports and meet the needs of rural America. The Agency provides technical and administrative direction, coordination, and leadership in the development and execution of agricultural transportation policies and programs of USDA. OT provides a basis for Federal-State decision-makers in regulatory, policy and legislative matters in order to assure the transportation needs of rural communities and agriculture.

The current organization has two divisions-- domestic and international--that reflect our Nation's growing interest and emphasis on international trade, while providing continuous identification and timely analysis of domestic transportation impediments. Major program responsibilities are:

Domestic Transportation Services

OT determines the impact upon agriculture of proposed changes in transportation legislation, rates, or services and provides for the representation of agricultural interests in such matters before State and Federal agencies. Specifically, OT provides assistance to farmers and agricultural shippers by developing proposals, negotiating with carriers and participating in regulatory proceedings before the Interstate Commerce Commission to resolve high priority transportation issues.

Rural Transportation Economics and Development

OT addresses the overall transportation infrastructure needs of rural America in order to access national and world markets. The agricultural community is assisted through economic assessments of deteriorating rural roads and bridges, rail trackage abandonments, and other inland transportation constraints. The Office provides educational programs on domestic and international transportation events and fosters improved Federal, State and local partnerships for solving transportation access problems affecting rural communities.

International Policy and Trade Analysis

OT assists agricultural exporters develop foreign market opportunities through short term economic analyses of port logistics and transport system impediments. Recommendations are directed toward more cost-effective methods to move U.S. products to world markets. Technical assistance is also provided to agricultural exporters on freight rates, plus ocean and intermodal services to meet the transport access needs of American agriculture.

Export Services

OT conducts technological research and demonstration programs, often in cooperation with private industry, to improve the international and domestic transportation systems for agricultural and food products. The Office administers the Agreement on the International Carriage of Perishable Foodstuffs which requires the establishment of a program of inspection, testing and certification of refrigerated equipment to meet health and safety requirements of some Nations for the transport of certain foodstuffs within Europe.

These functions of OT are carried out by a technical and administrative staff located in Washington, D.C. As of September 30, 1987, there were 39 full-time employees and one part-time employee.

## OFFICE OF TRANSPORTATION

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	: 1987	:	1988	:	1989	:
	: Actual	:	Estimated	:	Estimated	:
	: Amount	: Staff:	: Amount	: Staff:	: Amount	: Staff
	: Years:	:	: Years:	:	: Years:	:
Office of Transportation.....	\$2,397,000	: 35	\$2,397,000	: 35	\$1,395,000	: 20
Obligations under other	:	:	:	:	:	:
USDA appropriations:	:	:	:	:	:	:
Foreign Agricultural Service	:	:	:	:	:	:
for services on the Mexican	:	:	:	:	:	:
sales agreement.....	7,473	: --	7,554	: --	--	: --
Office of International	:	:	:	:	:	:
Cooperation and Development	:	:	:	:	:	:
for providing a tropical	:	:	:	:	:	:
products transport	:	:	:	:	:	:
handbook.....	62,554	: --	17,446	: --	--	: --
Total, Office of Transp.....	2,467,027	: 35	2,422,000	: 35	1,395,000	: 20

Full-time Equivalent	1987	1988	1989
Staff-Years:	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Ceiling.....	35	35	20
Non-Ceiling.....	--	--	--
Total.....	35	35	20

## OFFICE OF TRANSPORTATION

## Permanent Positions by Grade and Staff-Years Summary

1987 and Estimated 1988 and 1989

Grade	1987	1988	1989
	Headquarters/Total	Headquarters/Total	Headquarters/Total
ES-2	1	1	--
GS/GM-15	4	4	--
GS/GM-14	9	8	--
GS/GM-13	9	8	--
GS-12	3	3	--
GS-11	5	4	--
GS-9	2	2	--
GS-7	4	4	--
GS-6	3	2	--
Ungraded Positions.....	1	--	--
Total Permanent Positions.....	41	36	--
Staff Years:			
Ceiling.....	35	35	20
Non-Ceiling.....	--	--	--
TOTAL.....	35	35	20

## OFFICE OF TRANSPORTATION

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
11 Total personnel compensation.....	\$1,557,241	\$1,538,000	\$894,000
12 Personnel benefits.....	173,248	207,000	122,000
13 Benefits for former personnel.....	--	--	174,000
Total personnel compensation and benefits.....	<u>\$1,730,489</u>	<u>\$1,745,000</u>	<u>\$1,190,000</u>
Other Objects:			
21 Travel.....	93,164	72,000	15,000
23.2 Communications, utilities and miscellaneous charges...	85,264	72,000	61,000
24 Printing and reproduction.....	10,942	35,000	--
25 Other services.....	364,497	421,000	124,000
26 Supplies and materials.....	22,644	34,000	5,000
31 Equipment.....	56,311	18,000	--
Total other objects.....	<u>632,822</u>	<u>652,000</u>	<u>205,000</u>
Total direct obligations.....	<u>2,363,311</u>	<u>2,397,000</u>	<u>1,395,000</u>

Position Data:

Average Salary, ES positions.....	\$ 70,500	\$ 70,500	\$ --
Average Salary, GM/GS positions.....	\$ 37,750	\$ 38,450	\$ --
Average Grade, GM/GS positions.....	11.50	11.82	--



## OFFICE OF TRANSPORTATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Transportation

For necessary expenses to carry on services related to agricultural transportation programs as authorized by law; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$20,000 for employment under 5 U.S.C. 3109, [~~\$2,397,000~~] \$1,395,000 [: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building].

The change in language is for the purpose of deleting authority to alter and repair agency-owned buildings. The agency is now located in space rented from GSA and the Agricultural Research Service. Any necessary building alterations and repair can be obtained under the authorities for these two agencies.

OFFICE OF TRANSPORTATION

Appropriation Act, 1988.....	\$2,397,000
Budget Estimate, 1989.....	<u>1,395,000</u>
Decrease in Appropriation.....	<u>-1,002,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Office of Transportation.....	\$2,397,000	\$22,000	-\$1,024,000	\$1,395,000

PROJECT STATEMENT  
(On basis of appropriation)

PROJECT	: 1987 Actual	: 1988 Estimated	: 1989 Estimated
	: Staff:	: Staff:	: Staff:
	: Amount : Years:	: Amount : Years:	: Amount : Years:
Office of	:	:	:
Transportation	:	:	:
1. Research.....	\$1,063,490: 16:	\$1,079,000: 16:	-\$451,000 : \$ 628,000: 9:
2. Technical	:	:	:
Assistance.....	1,299,821: 19:	1,318,000: 19:	-551,000 : 767,000: 11:
Unobligated	:	:	:
balance.....	33,689: --:	--: --:	--: --: --:
Total Appropriation.:	2,397,000: 35:	2,397,000: 35:	-1,002,000(1): 1,395,000: 20:

EXPLANATION OF PROGRAM

The programs of the Office of Transportation (OT) are carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Agricultural Adjustment Act of 1938, (3) Agricultural Trade and Assistance Act of 1954, (4) Rural Development Act of 1972, and (5) International Carriage of Perishable Foodstuffs Act of 1982.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure the residents of these areas adequate facilities for the movement of agricultural commodities and people. The main areas of responsibility are providing technical assistance to shippers and carriers, technological research, development, and demonstrations in agricultural transport equipment, and participation in transportation regulatory actions before various Federal agencies. The Department is currently involved in the implementation of the International Carriage of Perishable Foodstuffs Act of 1982. In addition, OT provides economic analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in domestic and international agricultural transportation.

JUSTIFICATION OF DECREASE

(1) A net decrease of \$1,002,000 for Office of Transportation activities consisting of:

(a) An increase of \$22,000 to annualize 1988 pay costs.

(b) A decrease of \$1,024,000 for Office of Transportation Programs.

Need for Change. The FY 1989 Budget proposes to eliminate the Office of Transportation (OT) at the end of FY 1989. Essential activities may be performed by other USDA agencies as part of their regular ongoing programs. This includes the regulatory function of administering the Agreement on the International Carriage of Perishable Foodstuffs; USDA representation before Federal and State regulatory bodies with respect to rates, charges, tariffs, practices, and services; technical research to improve the transportation systems for agricultural commodities, perishable foods and livestock; economic studies of transportation systems as they apply to agricultural products and farm supplies in order to support farm income and expand U.S. exports; and technical assistance on agricultural transportation and food distribution matters to producers, producer groups, shippers, rural communities, State government agencies, and universities.

Nature of Change. All agency activities would be terminated by September 30, 1989. The FY 1989 budget would enable OT to complete high-priority existing studies and phase out agency activities. Agency operations will cease at the end of the fiscal year.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS1987 AND ESTIMATED 1988 AND 1989

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia.....	\$2,363,311	35	\$2,397,000	35	\$1,395,000	20

## FEDERAL GRAIN INSPECTION SERVICE

Purpose Statement

The Federal Grain Inspection Service (FGIS) was established on November 20, 1976, pursuant to the U.S. Grain Standards Act (USGSA), as amended (Public Law 94-582). Subsequently, the USGSA has been amended several times. In 1977, it was amended to provide appropriated funding for field supervision. The Omnibus Budget Reconciliation Act of 1981 amended USGSA to require user fee funding to support supervision and administration of the inspection and weighing programs previously covered by appropriations. Authority to collect user fees must be reinstated by legislation every four years under this Act. This legislative authority has been extended through September 1988. The 1981 amendment also established an FGIS Advisory Committee to provide advice to the administrator of FGIS on the implementation of the USGSA. New program planning efforts are being developed to carry out the provisions of the Grain Quality Improvement Act of 1986. This most recent legislation provides a framework for establishing and monitoring improved standards in the quality of grain in the marketing chain. Inspection and weighing programs are carried out under the authority of the Agricultural Marketing Act of 1946 (AMA), as amended. Programs under the AMA include the inspection and grading of rice, dry beans, lentils, dry peas, processed grain products, hops, and related commodities. The current program plans under the AMA are carried out under the auspices of Reorganization Plan Number 2 of 1953 which was assigned to FGIS by the Secretary of Agriculture.

The mission of FGIS is to provide for the establishment of official United States standards for grain and other commodities, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce, as authorized by the USGSA; and to carry out the delegated responsibilities under the AMA. Through these permissive and mandatory programs, FGIS assists in advancing the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and foreign buyers. The establishment of grain standards as a common language of commerce facilitates trading among buyers and sellers to accurately describe the quality of the grain. FGIS, acting as an impartial third party, assures that the standards are applied and the weights are recorded in a fair and accurate manner, thereby facilitating domestic and foreign grain trading.

The amended U.S. Grain Standards Act requires FGIS to provide: (1) mandatory inspection and weighing services at export ports by Federal or delegated State agency personnel; and (2) permissive inspection and weighing services at domestic locations by designated State and private agency personnel. Currently, there are 8 delegated States and 80 designated State and private agencies. The USGSA also requires FGIS to supervise all official inspection and weighing activities performed by Federal, State or private personnel. Further, on a request basis, Federal personnel perform inspection of rice and related commodities under the AMA and provide nation-wide appeal inspection services.

The FGIS headquarters is located in Washington, D.C., with field activities located in 28 field offices, 2 Federal/State offices, and 8 suboffices in 24 States and Canada. As of September 30, 1987, FGIS employment totaled 690 full-time permanent employees and 161 part-time temporary and intermittent employees. Of the total, 106 full-time employees and 5 part-time and intermittent employees were located at headquarters while the remaining 584 full-time employees and 156 part-time and intermittent employees were assigned to field locations. The costs of nearly all field services and most headquarters activities are financed from fees charged for services performed. User fee activities accounted for 81 percent of total agency spending in FY 1987. Standardization and compliance activities, international monitoring and the FGIS Advisory Committee are financed from appropriations.

## FEDERAL GRAIN INSPECTION SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses ....	\$6,826,000:	109:	\$7,020,000:	108:	\$8,255,000:	108
Inspection and Weighing Services .....	29,404,102:	751:	36,856,000:	760:	36,856,000:	760
Total, Federal Grain Inspection Service .....	36,230,102:	860:	43,876,000:	868:	45,111,000:	868

Full-Time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling .....	769	768	768
Non-ceiling .....	91	100	100
Total .....	860	868	868



FEDERAL GRAIN INSPECTION SERVICE  
Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	1987		1988		1989	
	Headquarters: Field	Total	Headquarters: Field	Total	Headquarters: Field	Total
Executive Level V	1	1	1	1	1	1
ES-5	1	1	1	1	1	1
ES-3	1	1	1	1	1	1
GS/GM-15	4	4	4	4	4	4
GS/GM-14	17	17	17	17	17	17
GS/GM-13	28	33	28	33	28	33
GS-12	45	62	45	62	45	62
GS-11	9	102	9	93	9	93
GS-10	1	12	1	11	1	11
GS-9	6	252	6	246	6	246
GS-8	2	2	2	2	2	2
GS-7	11	15	11	15	11	15
GS-6	27	27	27	27	27	27
GS-5	5	109	5	104	5	104
GS-4	8	43	8	35	8	35
GS-3	3	4	3	1	3	1
GS-2	--	--	--	--	--	--
GS-1	--	--	--	--	--	--
Ungraded Positions	--	1	--	1	--	1
Total Permanent Positions	169	686	169	686	169	686
Staff-Years:						
Ceiling	170	599	131	637	131	637
Non-Ceiling	--	91	--	100	--	100
TOTAL	170	690	131	737	131	737
						868

FEDERAL GRAIN INSPECTION SERVICE  
Salaries and Expenses - Appropriated Funds

CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$2,658,545	\$2,739,000	\$3,813,000
Field .....	<u>1,218,804</u>	<u>1,215,000</u>	<u>1,694,000</u>
11 Total personnel compensation .....	3,877,349	3,954,000	5,507,000
12 Personnel benefits .....	552,408	726,000	735,000
13 Benefits for former personnel .....	<u>62,073</u>	<u>22,000</u>	<u>68,000</u>
Total Personnel Compensation Benefits .....	<u>4,491,830</u>	<u>4,702,000</u>	<u>6,310,000</u>
Other Objects:			
21 Travel .....	315,303	236,000	397,000
22 Transportation of things ..	33,875	31,000	20,000
23.2 Rental payments to others .	21,191	18,000	24,000
23.3 Communications, utilities, and misc. charges .....	204,209	277,000	332,000
24 Printing and reproduction .	32,266	23,000	87,000
25 Other services .....	1,190,313	1,357,000	885,000
26 Supplies and materials ....	141,228	134,000	118,000
31 Equipment .....	<u>271,499</u>	<u>242,000</u>	<u>82,000</u>
Total other objects .....	<u>2,209,884</u>	<u>2,318,000</u>	<u>1,945,000</u>
Total direct obligations .....	<u>\$6,701,714</u>	<u>\$7,020,000</u>	<u>\$8,255,000</u>

Position Data:

Average Salary, ES positions .....	\$65,332	\$72,000	\$72,000
Average Salary, GM/GS positions .....	\$32,002	\$33,465	\$33,465
Average Grade, GM/GS positions .....	11.9	11.9	11.9

---

## FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry out the provisions of the United States Grain Standards Act, as amended, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, as amended, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$20,000 for employment under 5 U.S.C. 3109, [~~\$7,020,000~~] \$8,255,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building: Provided further, That none of the funds provided by this Act may be used to pay the salaries of any person or persons who require, or who authorize payments from fee-supported funds to any person or persons who require, nonexport, non-terminal interior elevators to maintain records not involving official inspection or official weighing in the United States under Public Law 94-582 other than those necessary to fulfill the purposes of such Act.

## FEDERAL GRAIN INSPECTION SERVICE

SALARIES AND EXPENSES

Appropriation Act, 1988 .....	\$7,020,000
Budget Estimate, 1989 .....	<u>8,255,000</u>
Increase in Appropriation .....	<u>+1,235,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Standardization and Compliance Activities .....	<u>\$7,020,000</u>	<u>+\$95,000</u>	<u>+\$1,140,000</u>	<u>\$8,255,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

Project	<u>1987 Actual</u>		<u>1988 Estimated</u>		Increase	<u>1989 Estimated</u>	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Standardi- zation and Compliance Activities...	\$6,701,714:	109	\$7,020,000:	108	+\$1,235,000:	\$8,255,000:	108
Total, obligations...	6,701,714:	109	7,020,000:	108	+1,235,000:	8,255,000:	108
Unobligated balance.....	124,286:	--	--	--	--	--	--
Total, available or estimate...	6,826,000:	109	7,020,000:	108	+1,235,000:	8,255,000:	108
Total, Appropriation..	6,826,000:	109	7,020,000:	108			

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Federal Grain Inspection Service funds the standardization and compliance activities. The activities carried out are as follows:

1. Standardization Activities

FGIS standardization activities aid in the orderly marketing of grains, oilseeds, rice, and related commodities through the development, promulgation and application of new and revised standards. Activities include the establishment, review and revision of the standards to reflect the latest inspection techniques and marketing needs; development and evaluation of new instruments and methods to increase accuracy; operation of a nationwide quality control program to assure the integrity of the inspection certificate; and maintaining an international monitoring program which interacts with foreign governments and trade teams to exchange information and respond to complaints concerning quality and quantity of grain shipments.

Standardization Activities  
Projected Level of Activity

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
U.S. Standards in effect at end of year .....	20	18	18
New and revised standards issued during fiscal year .....	13	4	3
Standards reviews in progress .....	16	5	4
Standards reviews completed .....	16	4	4
Inspection techniques developed .....	14	9	9
Equipment evaluated .....	12	8	8

## 2. Compliance Activities

The compliance activities ensure the accurate and uniform application of the U.S. Grain Standards Act (USGSA) and the applicable provisions of the Agricultural Marketing Act of 1946 (AMA). Field activities are reviewed to ensure that all procedures are implemented in a manner consistent with agency policy. Compliance activities include the delegation and designation of official agencies, the investigation of violations of the USGSA and AMA including referral of criminal violations to the Office of Inspector General, licensing of official agency personnel, and registering persons/firms engaged in foreign commerce grain business.

Compliance Activities  
Projected Level of Activity

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Official Agency Actions:			
Agency delegations and designations			
in effect at end of fiscal year .....	80	80	80
Designations renewed .....	22	27	27
Designations cancelled .....	3	0	0
State delegations at export port			
locations in effect at end of fiscal year ...	8	8	8
Registration of Firms Exporting Grain:			
Registration certificates issued .....	98	110	110
On-site investigations .....	14	12	14

### JUSTIFICATION OF INCREASE

- (1) An increase of \$1,235,000 in standardization and compliance activities (\$7,020,000 available in 1988) consisting of:

- (a) An increase of \$95,000 for annualization of pay that was absorbed in FY 1988.
- (b) An increase of \$1,140,000 to implement the Grain Quality Improvement Act of 1986.

Need for Change. In fiscal year 1987, the final rules were published implementing the Grain Quality Improvement Act of 1986 (GQIA) which was enacted as a November 10, 1986, amendment to the U.S. Grain Standards Act. The GQIA was enacted as a result of problems with export grain quality and declining U.S. grain exports.

Nature of Change. FGIS published final rules implementing the GQIA which stipulates that dockage or foreign material, once removed from grain, shall not be recombined with grain; that no dockage or foreign material of any origin shall be added to grain; that no recombination or addition of grain dust sweepings or binned dust shall be permitted; and that the level of insect infestation in grain will be more



accurately described. Under the final rules, blending of like grains of different qualities as well as the recombination of broken corn and foreign material to corn will be permitted. FGIS will assure compliance with the regulations by reviewing the procedures for the detection and suppression of insect infestation and by monitoring blending activities at export elevators and responding to alleged blending violations at domestic elevators.

Obligations by State: The following is a distribution of obligations and staff-years for the Federal Grain Inspection Service appropriated funds.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS  
1987 and Estimated 1988 and 1989

	FY 1987		FY 1988		FY 1989	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama .....	\$80,311	1	\$84,000	1	\$99,000	1
Arkansas .....	16,093	--	17,000	--	20,000	--
California .....	37,461	--	39,000	--	46,000	--
District of Columbia ..	2,496,661	42	2,614,000	41	3,075,000	41
Georgia .....	3,694	--	4,000	--	5,000	--
Idaho .....	41,908	1	44,000	1	52,000	1
Illinois .....	159,993	3	168,000	3	197,000	3
Indiana .....	80,459	1	84,000	1	99,000	1
Iowa .....	100,832	2	106,000	2	124,000	2
Kansas .....	186,078	3	195,000	3	229,000	3
Louisiana .....	23,692	--	25,000	--	29,000	--
Maryland .....	842	--	1,000	--	1,000	--
Michigan .....	41,378	1	43,000	1	51,000	1
Minnesota .....	188,662	3	198,000	3	232,000	3
Mississippi .....	929	--	1,000	--	1,000	--
Missouri .....	2,725,777	44	2,855,000	44	3,358,000	44
Nebraska .....	189,150	3	198,000	3	233,000	3
North Dakota .....	51,426	1	54,000	1	63,000	1
Ohio .....	19,658	--	21,000	--	24,000	--
Oregon .....	20,114	--	21,000	--	25,000	--
Pennsylvania .....	8,796	--	9,000	--	11,000	--
Tennessee .....	20,025	--	21,000	--	25,000	--
Texas .....	85,306	2	89,000	2	105,000	2
Virginia .....	65,510	1	69,000	1	81,000	1
Washington .....	56,959	1	60,000	1	70,000	1
Total, Available or Estimate .....	\$6,701,714	109	\$7,020,000	108	\$8,255,000	108



FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Inspection and Weighing Services:

Limitation of Inspection and Weighing Service Expenses

Not to exceed \$36,856,000 (from fees collected) shall be obligated during the current fiscal year for Inspection and Weighing Services.

INSPECTION AND WEIGHING SERVICES

Obligations, 1988 .....	\$36,856,000
Budget Estimate, 1989 .....	36,856,000
Change in Obligations .....	--

SUMMARY OF INCREASES AND DECREASES

	<u>1988 Estimated</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Inspection and Weighing Activities .....	\$36,856,000	--	\$36,856,000

PROJECT STATEMENT

Project	1984 Actual	1985 Actual	1986 Actual	1987 Actual
Admin. of U.S. Grain Std. Act.:	\$6,000,000	--	--	--
Available, start of year..:	--	\$4,000,000	\$2,000,000	\$2,000,000
Repayment to Treasury .....	-2,000,000	-2,000,000	--	-2,000,000
Total, available: end of year ...:	4,000,000	2,000,000	\$2,000,000	--

In FY 1984, a \$6 million supplemental was appropriated to recapitalize the revolving fund. A repayment of \$2 million was subsequently made in FY 1984, FY 1985 and FY 1987.

Project	1987 Actual Amount	Staff- Years	1988 Estimated Amount	Staff- Years	Increase or Decrease	1989 Estimated Amount	Staff- Years
Insp. & Weigh. Activities....	\$29,516,751	751	\$36,856,000	760	--	\$36,856,000	760
Actual oblig. ...	29,516,751	751	36,856,000	760	--	36,856,000	760
Unrealized prior: years oblig. ...	-112,649	--	--	--	--	--	--
Total, oblig. ...	29,404,102	751	36,856,000	760	--	36,856,000	760
Unobligated balance avail. :	a/						
start of period:	-8,714,233	--	-10,376,298	--	--	-10,376,298	--
Unobligated balance avail. :							
end of period..:	10,376,298	--	10,376,298	--	--	10,376,298	--
Repayment of FY 1984 supplemental ..	2,000,000	--	--	--	--	--	--
Collections .....	33,066,167	751	36,856,000	760	--	36,856,000	760
Unrealized prior: year revenues..	-684,519	--	--	--	--	--	--
Actual Collections....	32,381,648	751	36,856,000	760	--	36,856,000	760

a/ Total includes a \$2 million balance from an FY 1984 supplemental of \$6 million for revolving fund recapitalization.

EXPLANATION OF PROGRAM

The Federal Grain Inspection Service (FGIS) provides an official grain inspection and weighing system under the U.S. Grain Standards Act (USGSA), as amended, and official inspection of rice and grain related products under the Agricultural

Marketing Act of 1946 (AMA), as amended. The USGSA was amended in 1981 to require the collection of user fees to fund the costs associated with the operation, supervision and administration of Federal grain inspection and weighing activities.

Fees collected under the USGSA and the AMA pay the expenses of the following programs:

### 1. Inspection Activities

Fee supported inspection activities under the USGSA include direct services as well as the supervision and administration function associated with the program. Direct services include mandatory official inspection of export grain by FGIS employees at certain export points and when requested the inspection of U.S. grain shipped through the interior and Canada. FGIS also provides an appeal service for original grain inspection. The FGIS supervision program provides oversight of its employees as well as the monitoring of the inspection activities of 8 delegated States and 80 designated State and private agencies. In addition, FGIS provides inspection services for rice and grain related products which are covered by the AMA. FGIS personnel provide the technical and administrative support for the program.

#### Projected Level of Activity

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Export Grain Inspected and Weighed (million metric tons)			
By Federal personnel .....	77.7	85.7	85.7
By delegated States .....	20.5	22.6	22.6
Quantity of Grain Inspected (All Official Inspections) Million Metric Tons .....	283.1	293.3	293.3
Number of Inspections and Reinspections			
By Federal Personnel .....	217,072	217,000	217,000
By Delegated State/Official Agency Licensees .....	3,119,253	3,119,000	3,119,000
Number of Appeals .....	16,976	17,000	17,000
Number of Appeals Carried to the Board of Appeals and Review .....	3,333	3,000	3,000
Quantity of Rice Inspected (million metric tons) .....	4.1	4.1	4.1
Quantity of Rice Exports (million metric tons) .....	2.4	2.3	2.3

### 2. Weighing Activities

Fee supported weighing activities under the USGSA include the direct services as well as the supervision and administration functions associated with the program. FGIS provides mandatory weighing of export grain. On request, FGIS may provide grain weighing services in the interior and on export shipments to Mexico. FGIS also offers supervision of weighing services by request on inbound grain at export points, a nationwide scale testing program and a separate scale testing program designed for railroad track scales. In addition to supervising its own employees, FGIS monitors the weighing activities of employees of eight delegated States and certain designated State and private agencies performing weighing activities. FGIS personnel provide the technical and administrative support for the program.

#### Projected Level of Activity

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Export Grain Weighed (million metric tons)			
by Federal Personnel .....	75.5	85.2	85.2
by Delegated State Personnel .....	20.5	23.1	23.1

Number of Certified Scales in Service - Export Elevators .....	455	455	455
Number of Railroad Track Scales Tests (Includes American Association of Railroad Tests) .....	123	123	123

OIG Reports

Hq-4220-1 10/23/86 "FGIS Compliance Investigation Activities"

GAO ReportsAFMD-87-3 6/23/87 "Internal Controls: Improvements Needed in a USDA  
Receivable System"

Obligations by State: The following is a distribution of obligations and staff-years for the fee supported inspection and weighing services.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
Alabama .....	\$497,468	13	\$624,000	13	\$624,000	13
Arkansas .....	1,205,683	31	1,511,000	33	1,511,000	33
California .....	71,383	2	89,000	2	89,000	2
District of Columbia .	6,091,589	156	7,636,000	157	7,636,000	157
Georgia .....	160,683	4	201,000	4	201,000	4
Idaho .....	204,072	5	256,000	5	256,000	5
Illinois .....	1,032,097	26	1,294,000	27	1,294,000	27
Indiana .....	217,487	5	273,000	5	273,000	5
Iowa .....	263,534	7	330,000	7	330,000	7
Kansas .....	419,749	11	526,000	11	526,000	11
Louisiana .....	7,464,342	190	9,356,000	193	9,356,000	193
Maryland .....	1,404,414	36	1,760,000	36	1,760,000	36
Michigan .....	177,917	5	223,000	5	223,000	5
Minnesota .....	427,710	11	536,000	11	536,000	11
Mississippi .....	385,826	10	484,000	10	484,000	10
Missouri .....	761,230	19	954,000	19	954,000	19
Nebraska .....	336,985	9	422,000	9	422,000	9
North Dakota .....	323,269	8	405,000	8	405,000	8
Ohio .....	682,263	17	855,000	17	855,000	17
Oregon .....	2,420,355	62	3,034,000	63	3,034,000	63
Pennsylvania .....	377,469	10	473,000	10	473,000	10
Tennessee .....	74,893	2	94,000	2	94,000	2
Texas .....	3,797,528	97	4,760,000	98	4,760,000	98
Virginia .....	209,966	5	263,000	5	263,000	5
Washington .....	105,851	3	133,000	3	133,000	3
Total States .....	29,113,763	744	36,492,000	753	36,492,000	753
Canada .....	290,339	7	364,000	7	364,000	7
Total, Available or Estimate .....	\$29,404,102	751	\$36,856,000	760	\$36,856,000	760

## AGRICULTURAL COOPERATIVE SERVICE

Purpose Statement

The Agricultural Cooperative Service (ACS) is assigned functions under both the Cooperative Marketing Act of 1926 and under the Agricultural Marketing Act of 1946. Under the Cooperative Marketing Act, ACS is authorized to: (1) acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries; (2) conduct studies of the economic, legal, financial, social, and other phases of cooperation, including analyses of cooperative associations; (3) make surveys and analyses of the accounts and business practices of representative cooperative associations; (4) confer and advise with committees or groups of producers who want to form a cooperative association and to make an economic analysis of the facts relevant to setting up such an association; (5) promote the knowledge of cooperative principles and practices and to cooperate in promoting such knowledge to others; and (6) make special studies to acquire and disseminate such information.

Under the Agricultural Marketing Act, ACS is authorized to carry out responsibilities which relate to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings. In addition, ACS is authorized to work with institutions and international organizations on subjects relating to cooperatives.

ACS serves as the focal point of national activity involving agricultural cooperatives. The purpose of ACS is to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

The studies conducted by ACS, alone or in conjunction with other Federal or State institutions, are intended to provide farmers with information on economic, financial, organizational, legal, and social aspects of cooperative activity. In today's rapidly changing economic environment, ACS provides technical advice to assist farmer cooperatives in the development and operation of viable profitable organizations serving the nation's family farmers.

ACS is headquartered in Washington, D.C., with 3 field offices which are in Hilo, Hawaii; London, Kentucky; and Greenville, North Carolina. As of September 30, 1987, ACS employed 60 permanent full-time and 5 part-time personnel, 62 of whom were located in headquarters and 3 in the field offices.

## AGRICULTURAL COOPERATIVE SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

	: 1987	:	1988	:	1989	
	: Actual	:	Estimated	:	Estimated	
	: Staff:	:	Staff:	:	Staff:	
	: Amount	: Years:	Amount	: Years:	Amount	: Years
Agricultural Cooperative Service.....	\$ 4,547,000:	63:	\$ 4,611,000:	63:	\$ 2,303,000:	45
Total, Agricultural Cooperative Service.....	\$ 4,547,000:	63:	\$ 4,611,000:	63:	\$ 2,303,000:	45

Full-time Equivalent Staff-Years:	1987 <u>Actual</u>	1988 <u>Estimate</u>	1989 <u>Estimate</u>
Ceiling.....	63	63	45
Non-Ceiling.....	--	--	--
Total.....	<u>63</u>	<u>63</u>	<u>45</u>



## AGRICULTURAL COOPERATIVE SERVICE

## Permanent Positions by Grade and Staff-Years Summary

## 1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	3	--	3
GS/GM-14	10	--	10	10	--	10	8	--	8
GS/GM-13	19	2	21	19	2	21	14	--	14
GS-12	7	1	8	7	1	8	4	--	4
GS-11	3	--	3	3	--	3	2	--	2
GS-9	3	--	3	3	--	3	2	--	2
GS-7	6	--	6	6	--	6	5	--	5
GS-6	4	--	4	4	--	4	3	--	3
GS-5	3	--	3	3	--	3	2	--	2
Other Graded Positions.....	--	--	--	--	--	--	--	--	--
Ungraded Positions.....	1	--	1	1	--	1	1	--	1
Total Permanent Positions.	61	3	64	61	3	64	45	--	45
Staff Years:									
Ceiling.....	60	3	63	60	3	63	45	--	45
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL.....	60	3	63	60	3	63	45	--	45

AGRICULTURAL COOPERATIVE SERVICE  
CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$ 2,458,865	\$ 2,492,000	\$ 1,566,000
Field.....	<u>126,693</u>	<u>133,000</u>	<u>--</u>
11 Total personnel compensation.....	2,585,558	2,625,000	1,566,000
12 Personnel benefits.....	318,640	356,000	216,000
13 Benefits for former personnel....	<u>2,042</u>	<u>--</u>	<u>--</u>
Total personnel compensation and benefits.....	2,906,240	2,981,000	1,782,000
Other Objects:			
21 Travel.....	141,600	155,000	78,000
22 Transportation of things.....	7,054	--	--
23.2 Rental payments to others.....	1,748	2,000	--
23.3 Communications, utilities, and miscellaneous charges.....	163,379	166,000	118,000
24 Printing and reproduction.....	67,147	40,000	10,000
25 Other services.....	1,019,210	1,182,000	300,000
26 Supplies and material.....	34,527	40,000	10,000
31 Equipment.....	<u>74,772</u>	<u>45,000</u>	<u>5,000</u>
Total other objects.....	<u>1,509,437</u>	<u>1,630,000</u>	<u>521,000</u>
Total direct obligations.....	<u><u>4,415,677</u></u>	<u><u>4,611,000</u></u>	<u><u>2,303,000</u></u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$ 75,500	\$ 75,500	\$ 75,500
Average Salary, GM/GS positions.....	\$ 38,326	\$ 38,326	\$ 37,003
Average Grade, GM/GS positions.....	11.45	11.45	11.40

## AGRICULTURAL COOPERATIVE SERVICE

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to carry out the Cooperative Marketing Act of July 2, 1926 (7 U.S.C. 451-457), and for activities relating to the marketing aspects of cooperatives including economic research and analysis and the application of economic research findings, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and for activities with institutions or organizations throughout the world concerning the development and operation of agricultural cooperatives (7 U.S.C. 3291) [4,611,000] \$2,303,000: [of which \$99,000 shall be available for a field office in Hawaii:] Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$15,000 shall be available for employment under 5 U.S.C. 3109.

The change in language is for deletion of a provision setting aside \$99,000 for maintaining a field office in Hawaii. Under the FY 1989 budget, this office will be closed at the beginning of FY 1989.

SALARIES AND EXPENSES

Appropriation Act, 1988.....	\$4,611,000
Budget Estimate, 1989.....	2,303,000
Decrease in Appropriation.....	<u>-2,308,000</u>

SUMMARY OF DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Research on agricultural cooperatives.....	\$2,718,000	+\$24,000	-\$1,475,000	\$1,267,000
Technical assistance to agricultural cooperatives....	1,893,000	+21,000	-878,000	1,036,000
Total Available.....	<u>4,611,000</u>	<u>+45,000</u>	<u>-2,353,000</u>	<u>2,303,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

PROJECT :	1987 Actual :	1988 Estimated:	1989 Estimated :
	: Staff:	: Staff:	: Staff:
	: Amount :Years:	: Amount :Years:	: Amount :Years:
1. Research on	:	:	:
agricultural	:	:	:
cooperatives....	\$2,668,614: 38	\$2,718,000: 38	-\$1,451,000: \$1,267,000: 27
2. Technical	:	:	:
assistance to	:	:	:
agricultural	:	:	:
cooperatives....	1,747,063: 25	1,893,000: 25	-857,000: 1,036,000: 18
Unobligated	:	:	:
balance.....	131,323: --	--: --	--: --: --
Total	:	:	(1):
Appropriation...	4,547,000: 63	4,611,000: 63	-2,308,000: 2,303,000: 45

### EXPLANATION OF PROGRAM

The Agricultural Cooperative Service (ACS) serves as the national focal point and storehouse for information about farmer cooperatives. The major missions of the agency include research on cooperative problems and issues, providing technical assistance and advice to existing and newly emerging cooperative associations, collection and dissemination of cooperative statistics, and preparation and distribution of educational materials on cooperatives.

The Agency's research program includes studies of economic, financial, organizational, managerial, legal, social and policy related issues that affect cooperatives. Studies may be specific to a single commodity or group of commodities or may focus on specific functions which cut across commodity and service lines for cooperatives that market farm products, purchase production supplies, or perform related services.

Technical assistance is provided in response to requests, usually from cooperative boards of directors or organizational steering committees who may represent from a small group up to thousands of farmers. Types of technical assistance provided by ACS include feasibility analysis, merger and other organizational studies, strategic assessment and planning, and review of operations and performance of the range of cooperative activities. Feasibility analysis and organizational and educational assistance are provided for newly emerging cooperatives. ACS provides technical assistance for farmers and their cooperatives in most commodity and functional areas of cooperative operations.

### JUSTIFICATION OF DECREASE

(1) A net decrease of \$2,308,000 for Agricultural Cooperative Service activities consisting of:

- (a) An increase of \$45,000 for FY 1988 pay costs.
- (b) A decrease of \$2,353,000 in Agricultural Cooperative Service programs.

Need for Change. In accordance with the recent budget summit agreement, it is necessary to reduce USDA programs in order to control the Federal deficit. These program reductions include a decrease in the activities of the Agricultural Cooperative Service during FY 1989. Federal research funding would be used specifically for national research having high benefit and applicability to agricultural cooperatives as a whole.

Nature of Change. The Agency will reduce technical assistance provided to existing cooperatives. The Agency will close field offices in Hilo, Hawaii; London, Kentucky; and Greenville, North Carolina; and provide services to these areas from its Washington office. ACS will discontinue research agreements at colleges and universities.

AGRICULTURAL COOPERATIVE SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1987 AND ESTIMATED 1988 AND 1989

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	Staff		Staff		Staff	
	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>
District of						
Columbia.....	\$4,206,857	60	\$4,378,000	60	\$2,303,000	45
Hawaii.....	77,137	1	99,000	1	--	--
Kentucky.....	60,706	1	62,000	1	--	--
North Carolina.....	<u>70,977</u>	<u>1</u>	<u>72,000</u>	<u>1</u>	<u>--</u>	<u>--</u>
Total.....	<u>\$4,415,677</u>	<u>63</u>	<u>\$4,611,000</u>	<u>63</u>	<u>\$2,303,000</u>	<u>45</u>



## PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was reestablished by Secretary's Memorandum No. 1000-1, of June 17, 1981. The Agency administers the Packers and Stockyards Act of 1921, as amended, and carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. The Agency also has responsibility with respect to persons and firms subject to the Packers and Stockyards Act for the Truth-in-Lending Act, the Fair Credit Reporting Act and Freedom of Information Act.

The principal purpose of the Packers and Stockyards Administration programs is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom. The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

The Food Security Act of 1985 permits the States to establish "central filing systems" for the purpose of pre-notifying buyers, commission merchants, and selling agents of security interests against "farm products". It is the responsibility of the Packers and Stockyards Administration to issue regulations and to certify those systems which meet the criteria set forth in the statute.

Headquarters of the Agency is located in Washington, D.C., with 12 field offices located in Atlanta, Georgia; Bedford, Virginia; Denver, Colorado; Fort Worth, Texas; Indianapolis, Indiana; Kansas City, Missouri; Lancaster, Pennsylvania; Lawndale, California; Memphis, Tennessee; Omaha, Nebraska; Portland, Oregon; and South St. Paul, Minnesota. As of September 30, 1987, there were 188 full-time permanent and 11 other employees. Of the total, 46 full-time employees and one other employee worked in the Headquarters office; 142 full-time employees and 10 other employees worked in the field offices.

## PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Packers and Stockyards Administration .....	\$9,081,000	187	\$9,402,000	187	\$9,562,000	187

## Full-time Equivalent Staff-Years:

	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
Ceiling .....	187	187	187
Non-Ceiling .....	--	--	--
Total .....	187	187	187

## PACKERS AND STOCKYARDS ADMINISTRATION

## Permanent Positions by Grade and Staff-Year Summary

## 1987 Actual and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :
ES-5	1	--	1	1	--	1	1	--	1
ES-2	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	7	--	7	8	--	8	8	--	8
GS/GM-13	10	12	22	11	12	23	11	12	23
GS-12	6	44	50	7	44	51	7	44	51
GS-11	3	34	37	3	43	46	3	43	46
GS-9	2	18	20	2	13	15	2	13	15
GS-8	1	--	1	1	--	1	1	--	1
GS-7	4	14	18	5	15	20	5	15	20
GS-6	5	6	11	5	6	11	5	6	11
GS-5	2	8	10	1	5	6	1	5	6
GS-4	--	6	6	--	5	5	1	5	6
GS-3	--	--	--	1	--	1	--	--	--
Total Permanent Positions .....	46	142	188	50	143	193	50	143	193
Staff Years:									
Ceiling .....	44	143	187	45	142	187	45	142	187
Non-Ceiling ....	--	--	--	--	--	--	--	--	--
TOTAL .....	44	143	187	45	142	187	45	142	187

## PACKERS AND STOCKYARDS ADMINISTRATION

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$1,823,655	\$1,846,000	\$1,859,000
Field .....	<u>4,215,271</u>	<u>4,383,000</u>	<u>4,415,000</u>
11 Total personnel compensation .....	6,038,926	6,229,000	6,274,000
12 Personnel benefits..	1,006,908	1,109,000	1,183,000
13 Benefits for former personnel .....	<u>2,654</u>	<u>3,000</u>	<u>3,000</u>
Total Personnel Comp. and Benefits .....	<u>7,048,488</u>	<u>7,341,000</u>	<u>7,460,000</u>
Other Objects:			
21 Travel .....	612,000	608,000	622,000
22 Transportation of things .....	92,599	69,000	69,000
23.2 Rental Payments to others .....	128,261	134,000	139,000
23.3 Communications, utilities, and misc. charges ....	289,477	324,000	327,000
24 Printing and reproduction .....	30,117	22,000	23,000
25 Other services .....	642,123	735,000	749,000
26 Supplies and materials .....	67,481	82,000	83,000
31 Equipment .....	75,563	87,000	90,000
32 Lands and Structures	6,155	--	--
42 Insurance claims and indemnities ..	395	--	--
43 Interest and dividends.....	<u>143</u>	<u>--</u>	<u>--</u>
Total other objects ...	<u>1,944,314</u>	<u>2,061,000</u>	<u>2,102,000</u>
Total direct obligations.	<u>8,992,802</u>	<u>9,402,000</u>	<u>9,562,000</u>

Position Data:

Average Salary, ES positions .....	\$71,550	\$72,250	\$73,750
Average Salary, GM/GS positions .....	\$31,873	\$32,069	\$32,532
Average Grade, GM/GS positions .....	10.24	10.42	10.43

## PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Packers and Stockyards Administration:

For necessary expenses for administration of the Packers and Stockyards Act, as authorized by law, and for certifying procedures used to protect purchasers of farm products, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$5,000 for employment under 5 U.S.C. 3109, [\$9,402,000] \$9,562,000. (7 U.S.C. 181-229)

SALARIES AND EXPENSES

Appropriation Act, 1988 .....	\$9,402,000
Budget Estimate, 1989 .....	<u>9,562,000</u>
Increase in Appropriation .....	<u>+160,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>1989 Estimated</u>
Administration of the Packers and Stockyards Act .....	\$9,274,000	+\$160,000	\$9,434,000
Certification of "Clear Title".....	128,000	--	128,000
Total Available .....	<u>9,402,000</u>	<u>+160,000</u>	<u>9,562,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

	<u>1987 Actual</u>		<u>1988 Estimated</u>			<u>1989 Estimated</u>	
	: Staff-	: Staff-	: Staff-	: Staff-		: Staff-	: Staff-
	: Amount	: Years	: Amount	: Years	: Increase:	: Amount	: Years
1. Administration:	:	:	:	:	:	:	:
of the	:	:	:	:	:	:	:
Packers and	:	:	:	:	:	:	:
Stockyards	:	:	:	:	:	:	:
Act.....	\$8,882,474:	185	\$9,274,000:	184	+\$160,000:	\$9,434,000:	184
2. Certification :	:	:	:	:	:	:	:
of Clear	:	:	:	:	:	:	:
Title.....	110,328:	2	128,000:	3	--	128,000:	3
Unobligated	:	:	:	:	:	:	:
balance .....	88,198:	--	--	--	--	--	--
Total available :	:	:	:	:	(1):	:	:
or estimate....	9,081,000:	187	9,402,000:	187	+160,000:	9,562,000:	187

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration (P&SA) administers the Packers and Stockyards Act (7 U.S.C. 181-229). The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. In addition, the Agency administers the Truth-in-Lending Act (15 U.S.C. 1601 et seq); the Fair Credit Reporting Act (15 U.S.C. 1681 et seq); and the Freedom of Information Act (5 U.S.C. 552) as these statutes apply to persons and firms subject to the P&S Act. Agency programs are designed to assure the integrity of the livestock, meat and poultry markets and the market place. Other functions of the Agency include assuring prompt payment to producers for livestock and poultry, and assuring nondiscriminatory marketing charges and accurate weights. The Agency's programs also include protecting consumers from unfair business practices in the marketing of meat.



## Coverage of Program:

	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Investigations	1,979	2,300	2,300
Market Agencies/ Dealers Registered	9,780	9,500	9,500
Stockyards Posted	1,740	1,750	1,750
Slaughtering and Processing Packers Subject to the Act	6,500*	6,500	6,500
Meat Distributors, Brokers, and Dealers Subject to the Act	6,500*	6,500	6,500
Poultry Operations Subject to the Act	265	265	265

\*Estimated

The value of livestock, meat, and poultry subject to the Act is in excess of \$62 billion each year.

The principal activities carried out in administering the Act are:

- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.
- Investigating packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices.
- Investigating the financial condition and payment practices of market agencies, dealers, and packers subject to the Act to determine if they are financially sound and capable of meeting their obligations.
- Maintaining the integrity of the statutory trust for cash sellers of livestock and poultry.
- Surveillance of marketing at public markets and geographical area markets to foster and maintain fair and effective competition and avoid conflicts of interest.
- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than \$500,000 of livestock annually) to assure payment for livestock purchased.
- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.

## JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$160,000 to annualize 1988 pay costs.

PACKERS AND STOCKYARDS ADMINISTRATION  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
D.C. Headquarters .....	\$3,366,772	44	\$3,562,000	45	\$3,606,000	45
REGIONAL OFFICES:						
California .....	404,878	11	419,000	11	428,000	11
Colorado .....	478,370	12	491,000	12	502,000	12
Georgia .....	432,910	11	454,000	12	462,000	12
Indiana .....	464,416	11	496,000	11	505,000	11
Minnesota .....	478,685	12	488,000	12	497,000	12
Missouri .....	494,921	12	517,000	11	527,000	11
Nebraska .....	569,422	13	586,000	12	597,000	12
Oregon .....	422,523	13	434,000	13	443,000	13
Pennsylvania .....	382,168	11	398,000	11	408,000	11
Tennessee .....	464,024	12	475,000	12	484,000	12
Texas .....	512,127	13	525,000	13	535,000	13
Virginia .....	521,586	12	557,000	12	568,000	12
Total, Available or Estimate .....	<u>8,992,802</u>	<u>187</u>	<u>9,402,000</u>	<u>187</u>	<u>9,562,000</u>	<u>187</u>

## FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

The Food Safety and Inspection Service was established on June 17, 1981, by Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

The major objective of the Agency is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged, as required by the Federal Meat Inspection Act and the Poultry Products Inspection Act.

The Meat and Poultry Inspection Program of the Food Safety and Inspection Service provides inplant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to States which maintain meat and poultry inspection programs equal to that of the Federal inspection program.

During 1987 the Agency maintained central offices in the Washington metropolitan area, five regional offices, 27 area offices, and a nationwide network of inspectors in approximately 7,200 establishments (including official import inspection facilities) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. As of September 30, 1987, the Agency employment totaled 9,023 permanent full-time employees and 841 other employees. Of these, 681 permanent full-time employees and 97 other employees were located in the central offices, and 398 permanent full-time employees and 9 other employees were in area and regional offices. The balance of 7,944 permanent full-time employees and 735 other employees were in field locations.

## FOOD SAFETY AND INSPECTION SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff Years
<u>Food Safety and Inspection Service:</u>						
Salaries and Expenses.....	\$372,973,000	9,238	\$392,009,000	9,270	\$405,680,000	9,270
<u>Obligations under other USDA</u>						
<u>Appropriations:</u>						
APHIS for blood samples (MPI)...	1,041,505	--	1,000,000	--	1,000,000	--
Total, Agriculture Appropriations.....	374,014,505	9,238	393,009,000	9,270	406,680,000	9,270
<u>Non-Federal Funds:</u>						
<u>Reimbursements:</u>						
Meat and Poultry Inspection.....	42,415,163	1,059	44,000,000	1,054	44,000,000	1,054
<u>Trust Funds:</u>						
Meat and Poultry Inspection.....	961,195	26	825,000	29	825,000	29
Total Non Federal Funds.....	43,376,358	1,085	44,825,000	1,083	44,825,000	1,083
Total, Food Safety and Inspection Service.....	417,390,863	10,323	437,834,000	10,353	451,505,000	10,353

	1987 Actual	1988 Estimated	1989 Estimated
Full-Time Equivalent Staff Years:			
Ceiling.....	9,353	9,400	9,400
Non-ceiling.....	970	953	953
Total.....	<u>10,323</u>	<u>10,353</u>	<u>10,353</u>

FOOD SAFETY AND INSPECTION SERVICE  
Permanent Positions by Grade and Staff-Year Summary  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	Headquarters: Field	Total	Headquarters: Field	Total	Headquarters: Field	Total
ES-6	2	2	2	2	2	2
ES-5	4	4	4	4	4	4
ES-4	7	9	7	9	7	9
ES-3	2	4	2	4	2	4
ES-2	0	0	0	0	0	0
ES-1	0	1	0	1	0	1
GS/GM-15	30	39	30	39	30	39
GS/GM-14	88	130	88	130	88	130
GS/GM-13	161	421	162	422	162	422
GS-12	75	899	75	828	75	828
GS-11	41	419	41	380	41	380
GS-10	1	160	1	160	1	160
GS-9	46	2,264	46	2,275	46	2,275
GS-8	10	956	10	961	10	961
GS-7	62	2,749	62	2,763	62	2,763
GS-6	45	44	45	44	45	44
GS-5	42	498	42	500	42	500
GS-4	36	116	36	117	36	117
GS-3	27	48	27	48	27	48
GS-2	3	0	3	0	3	0
GS-1	0	3	0	3	0	3
Ungraded Positions:	6	16	6	16	6	16
Total Permanent Positions.....	688	8,371	689	8,411	689	8,411
Staff Years:						
Ceiling.....	695	8,658	696	8,704	696	8,704
Non-ceiling.....	2	968	2	951	2	951
TOTAL.....	697	9,626	698	9,655	698	9,655

## FOOD SAFETY AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters.....	\$24,434,749	\$24,890,000	\$24,891,000
Field.....	<u>221,671,365</u>	<u>226,020,000</u>	<u>226,023,000</u>
11 Total Personnel compensation.....	246,106,114	250,910,000	250,914,000
12 Personnel benefits.....	42,587,437	50,915,000	54,278,000
13 Benefits for former personnel.....	<u>958,313</u>	<u>959,000</u>	<u>959,000</u>
Total Personnel Compensation and Benefits.....	289,651,864	302,784,000	306,151,000
Other Objects:			
21 Travel.....	19,251,586	20,066,000	21,068,000
22 Transportation of things.....	1,454,233	1,635,000	2,739,000
23 Communications, utilities and miscellaneous charges.....	7,258,940	7,632,000	8,430,000
24 Printing and reproduction.....	1,300,767	1,350,000	1,403,000
25 Other services.....	14,324,087	16,697,000	22,162,000
26 Supplies and materials.....	2,626,084	2,871,000	3,406,000
31 Equipment.....	2,635,066	3,495,000	3,388,000
41 Grants, subsidies and contributions.....	33,423,001	35,425,000	36,877,000
42 Insurance claims and indemnities..	52,081	54,000	56,000
43 Interest and dividends.....	<u>924</u>	<u>--</u>	<u>--</u>
Total Other Objects.....	<u>82,326,769</u>	<u>89,225,000</u>	<u>99,529,000</u>
Total Direct Obligations.....	<u>371,978,633</u>	<u>392,009,000</u>	<u>405,680,000</u>

Position Data:

Average Salary, ES positions.....	\$72,575	\$72,865	\$72,865
Average Salary, GM/GS positions.....	\$26,547	\$27,100	\$27,100
Average Grade, GM/GS positions.....	8.57	8.57	8.57



## FOOD SAFETY AND INSPECTION SERVICE

The Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry on services authorized by the Federal Meat Inspection Act, as amended, and the Poultry Products Inspection Act, as amended, [~~\$392,009,000~~] \$405,680,000: Provided, That this appropriation shall be available for field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$75,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

SALARIES AND EXPENSES

Appropriation Act, 1988.....	\$392,009,000
Budget Estimate, 1989.....	405,680,000
Increase in Appropriation.....	<u>+13,671,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Slaughter Inspection....	\$223,286,000	+\$4,272,000	+\$4,007,000	\$231,565,000
Processing Inspection...	99,328,000	+1,779,000	-4,264,000	96,843,000
Import-Export Inspection	9,822,000	+168,000	+523,000	10,513,000
Laboratory Services.....	24,148,000	+309,000	+5,425,000	29,882,000
Grants-to-States.....	35,425,000	--	+1,452,000	36,877,000
Total Available.....	<u>392,009,000</u>	<u>+6,528,000</u>	<u>+7,143,000</u>	<u>405,680,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>		<u>1988 Estimated</u>		<u>Increase or Decrease</u>	<u>1989 Estimated</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>		<u>Amount</u>	<u>Staff- Years</u>
<u>Meat and Poultry Inspection</u>							
(a) Slaughter Inspection.....	\$211,490,802	6,287	\$223,286,000	6,381	+\$8,279,000(1)	\$231,565,000	6,490
(b) Processing Inspection.....	95,839,998	2,399	99,328,000	2,315	-2,485,000(2)	96,843,000	2,193
(c) Import-Export Inspection..	9,209,461	200	9,822,000	207	+691,000(3)	10,513,000	214
(d) Laboratory Services.....	22,015,371	352	24,148,000	367	+5,734,000(4)	29,882,000	373
(e) Grants-to-States.....	33,423,001	--	35,425,000	--	+1,452,000(5)	36,877,000	--
Total, Meat and Poultry Inspection.....	371,978,633	9,238	392,009,000	9,270	+13,671,000	405,680,000	9,270
Unobligated balance lapsing....	994,367	--	--	--	--	--	--
Total Appropriation.....	372,973,000	9,238	392,009,000	9,270	+13,671,000	405,680,000	9,270

EXPLANATION OF PROGRAM

The major objective of the Food Safety and Inspection Service is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged.

The Meat and Poultry Inspection program is responsible for uniformly applying inspection procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection. It is also responsible for assessing the effectiveness of State inspection programs to assure that standards at least equal to those under the Federal Meat Inspection Act and the Poultry Products Inspection Act are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported product at ports of entry.

The Laboratory Services program supports meat and poultry inspection through the scientific examination of meat and poultry products for disease, contamination, or other forms of adulteration.

INSPECTION DATA

	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
Federally inspected establishments:			
Slaughter plants.....	395	410	410
Processing plants.....	5,215	5,238	5,258
Combination slaughter and processing plants.....	1,494	1,493	1,483
Import establishments.....	168	193	193
Federally inspected production (millions of pounds):			
Meat slaughter.....	36,300	37,000	37,000
Meat processing.....	69,600	70,950	70,950
Poultry slaughter.....	25,700	27,250	28,900
Poultry processing.....	66,100	71,400	77,100
Import/Export activity (millions of pounds):			
Meat and poultry imported.....	2,609	2,700	2,800
Meat and poultry exported.....	2,690	2,800	2,900
Imports refused entry.....	12.1	11.5	11.4
States and territories with cooperative agreements (end of year):			
Intrastate inspection.....	27	27	27
Talmadge-Aiken inspection.....	21	21	21
Number of slaughter and/or processing plants (excludes exempt plants).....	3,722	3,720	3,720
Pounds inspected slaughter and processing (millions).....	5,117	5,200	5,200
Compliance activities:			
Hazardous product detained (millions of pounds).....	13	9	9
Compliance reviews.....	42,111	50,000	50,000
Detention actions.....	785	800	800
Laboratory services (samples analyzed):			
Food chemistry.....	69,463	70,000	70,000
Food microbiology.....	19,058	30,000	30,000
Chemical residues.....	38,808	53,800	65,800
Antibiotic residues.....	237,921	239,000	245,000
Pathology samples.....	11,982	12,975	12,975

GAO Reports

<u>Number</u>	<u>Date Issued</u>	<u>Date Completed</u>	<u>Description</u>
RCED-97-142	9/30/87	--	"Imported Meat and Livestock" Chemical Residue Detection and the Issue of Labeling.

OIG Reports

38002-2-Hy	1/27/87	--	Audit of imported Meat Process.
38097-1-At	2/5/87	--	FSIS Exporting Procedures
38099-2-At	3/31/87	--	FSIS Controls Over Exporting Procedures.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$8,279,000 for Slaughter Inspection (\$223,286,000 available in 1988) consisting of:

- (a) An increase of \$5,322,000 for mandatory increases in the cost of providing services, consisting of: an increase of \$4,272,000 to annualize the 1988 federal pay raise; and an increase of \$1,050,000 to offset the rising cost of procured goods and services.
- (b) A decrease of \$1,363,000 for one year only data systems costs incurred in fiscal year 1988.
- (c) An increase of \$2,700,000 to strengthen the Agency's residue and microbiological control programs.

Need for Change. Recent reports from the National Academy of Sciences recommended risk based inspection and indicated a need to strengthen the program to better handle microbiological and chemical risks in poultry. Congressional oversight hearings have also focused on the need to make the program more productive and efficient while at the same time being fully responsive to these current health threats. The NAS reports and Congressional committees have agreed with the general direction of the Agency's residue program, but recommended increases in the rate of sampling and testing.

Nature of Change. The budget request addresses these shared concerns with proposals for a stronger control system. For Slaughter Inspection, the plan introduces the Agency's first on-line residue sampling system, under which as many as ten percent of the swine entering slaughter establishments will be sampled for sulfa drug residues. This system is made possible by introduction of a quick screening method suitable for use by in-plant inspectors. The new system will require additional inspectors to collect and test the greatly expanded numbers of samples.

- (d) An increase of \$693,000 for a university-based training center.

Need for Change. FSIS has been refocusing its inspector training program from one which primarily teaches skills to one which augments the skills with the scientific and technological background that will be required as the program continues to change to a risk-based approach. In conjunction with this, the Agency is relocating its training center to a university site where academic and scientific expertise and facilities will be more readily available.

Nature of Change. This initiative would provide for the final stage of the relocation of the training center to Texas A&M University, the use of university professors to supplement the training staff, and the provision of new course materials and teaching equipment.

- (e) An increase of \$927,000 for improving the Agency's information systems.

Need for Change. The National Academy of Sciences observed that traditional organoleptic inspection is insufficient in itself to adequately detect the dangers to health most likely to occur in meat and poultry products. The development of more scientific methods of food inspection have made possible the replacement of the inspectors' judgment by objective data, and the collection and presentation of that data in a manner that will better facilitate management of the far-flung inspection program.

Nature of Change. At all levels of the Agency, from plant through area and regional offices to headquarters, FSIS will strengthen the management information systems that are essential to day-to-day operation of the program. During fiscal year 1988, a comprehensive study of the Agency's information needs from top to bottom will begin. This study will be completed in 1989 and will provide a blueprint for integrating and supplementing existing systems. The Agency will also complete a project initiated in fiscal year 1988 to install a workforce assignment system, which will enable area supervisors to most economically place inspectors in the assignments that fall vacant daily due to employee annual leave and sickness.

(2) A net decrease of \$2,485,000 for Processing Inspection (\$99,328,000 available in 1988) consisting of:

- (a) An increase of \$2,427,000 for mandatory increases in the cost of providing services, consisting of: an increase of \$1,779,000 to annualize the 1988 federal pay raise; and an increase of \$648,000 to offset the rising cost of procured goods and services.
- (b) Decreases totaling \$5,713,000 for program economies: a decrease of \$1,037,000 for one year only data systems costs incurred in fiscal year 1988; and a decrease of \$4,676,000 representing the second year saving associated with the risk-based discretionary inspection system being installed in processing establishments.
- (c) An increase of \$296,000 for a university-based training center.

Need for Change. FSIS has been refocusing its inspector training program from one which primarily teaches skills to one which augments the skills with the scientific and technological background that will be required as the program continues to change to a risk-based approach. In conjunction with this, the Agency is relocating its training center to a university site where academic and scientific expertise and facilities will be more readily available.

Nature of Change. This initiative would provide for the final stage of the relocation of the training center to Texas A&M University, the use of university professors to supplement the training staff, and the provision of new course materials and teaching equipment.

- (d) An increase of \$505,000 for improving the Agency's information systems.

Need for Change. The National Academy of Sciences observed that traditional organoleptic inspection is insufficient in itself to adequately detect the dangers to health most likely to occur in meat and poultry products. The development of more scientific methods of food inspection have made possible the replacement of the inspectors' judgment by objective data, and the collection and presentation of that data in a manner that will better facilitate management of the far-flung inspection program.

Nature of Change. At all levels of the Agency, from plant through area and regional offices to headquarters, FSIS will strengthen the management information systems that are essential to day-to-day operation of the program. During fiscal year 1988, a comprehensive study of the Agency's information needs from top to bottom will begin. This study will be completed in 1989 and will provide a blueprint for integrating and supplementing existing systems. The Agency will also complete a project initiated in fiscal year 1988 to install a workforce assignment system, which will enable area supervisors to most economically place inspectors in the assignments that fall vacant daily due to employee annual leave and sickness.



(3) An increase of \$691,000 for Import-Export Inspection (\$9,822,000 available in 1988) consisting of:

- (a) An increase of \$259,000 for mandatory increases in the cost of providing services, consisting of: an increase of \$168,000 to annualize the 1988 federal pay raise; and an increase of \$91,000 to offset the rising cost of procured goods and services.
- (b) An increase of \$432,000 for improving the Agency's information systems.

Need for Change. The reports of OIG and GAO and 1987 Congressional oversight hearings recommended rapid implementation of the Agency's plan for making the import program fully risk-based. The complexity of monitoring the systems and plants of several dozen exporting countries, their plants, and the shipments passing through official import establishments at ports of entry requires the assistance of modern data systems.

Nature of Change. The request would enhance review and management of the import program by including residue, microbiological, and processing information in the data available to the automated system which is used in the on-line scheduling of import inspections, and by expanding the Agency's internal review and evaluation functions to provide a continuing oversight of import inspection.

(4) An increase of \$5,734,000 for Laboratory Services (\$24,148,000 available in 1988) consisting of:

- (a) An increase of \$872,000 for mandatory increases in the cost of providing services, consisting of: an increase of \$309,000 to annualize the 1988 federal pay raise; and an increase of \$563,000 to offset the rising cost of procured goods and services.
- (b) An increase of \$4,862,000 to strengthen the Agency's residue and microbiological control programs.

Need for Change. The National Academy of Sciences recommended that FSIS increase the number of samples tested and thereby raise the confidence level of the test results. The monitoring program is now designed to detect, with 95 percent statistical confidence, whether a given chemical residue is present in one percent of the national population of a bird or animal species. One percent of the 1986 swine slaughtered is over three quarters of a million; in the case of cattle, over a third of a million; in the case of broiler chickens, over 45 million. Reviewers of the program believe that the risk to public health presented by these numbers justifies increasing the sampling rate to detect problems occurring in as little as one tenth of one percent of the population.

Nature of Change. An increase in the number of samples sufficient to detect a problem in 0.1 percent of the slaughter population requires a tenfold increase in the samples analyzed, and thus a substantial increase in resources dedicated to this program. For FY 1989 FSIS is proposing to increase the sample size to detect the 0.1 percent violation level for six of the most critical species-compound pairs. Results of the expanded testing for each chemical will be evaluated to determine whether expanded testing should be continued on those six chemicals, or if additional chemicals should be added to the expanded testing program. In addition, FSIS will accelerate the development of tests designed to detect harmful microorganisms, and will continue the policy inaugurated in fiscal year 1988 of testing 30,000 microbiological samples in contrast to the 1987 level of 19,000.



- (5) An increase of \$1,452,000 for Grants to States (\$35,425,000 available in 1988) to offset increasing costs in the State programs.

Need for Change. State-operated inspection programs are subject to increased costs for travel, training, and other goods and services. If USDA is unable to support fifty percent of the cost of these programs in fiscal year 1988, some States could be forced to terminate their programs. In these cases the Federal government is required to assume full responsibility for inspection in these states.

Nature of Change. Funds requested for grants are increased by 4.1 percent over fiscal year 1988 levels, to meet the rising cost of providing services.

Summary of Increases and Decreases  
(Thousands of Dollars)

	Slaughter	Processing	Import- Export	Laboratory Services	Grants	Total
FY 1988 Estimate...	\$223,286	\$99,328	\$9,822	\$24,148	\$35,425	\$392,009
Mandatory Costs....	5,322	2,427	259	872	1,452	10,332
Program Economies..	-1,363	-5,713				-7,076
Residue and						
Microbial Control	2,700			4,862		7,562
University Training	693	296				989
ADP Support.....	927	505	432			1,864
Total Increases....	8,279	-2,485	691	5,734	1,452	13,671
Total by Activity	231,565	96,843	10,513	29,882	36,877	405,680

Food Safety and Inspection Service  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS  
1987 and Estimated 1988 and 1989

	FY 1987		FY 1988 Estimate		FY 1989 Estimate	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Alabama.....	\$11,811,834	354	\$12,448,000	355	\$12,882,000	355
Alaska.....	385,000	0	406,000	0	420,000	0
Arizona.....	1,632,093	31	1,720,000	31	1,780,000	31
Arkansas.....	16,989,298	539	17,904,000	541	18,529,000	541
California.....	19,978,989	574	21,055,000	576	21,789,000	576
Colorado.....	5,470,411	160	5,765,000	160	5,966,000	160
Connecticut.....	1,515,801	39	1,597,000	39	1,653,000	39
Delaware.....	3,682,925	117	3,881,000	117	4,017,000	117
District of Columbia	40,920,825	621	43,123,000	620	44,623,000	620
Florida.....	5,980,081	121	6,302,000	122	6,522,000	122
Georgia.....	20,867,049	561	21,991,000	563	22,758,000	563
Hawaii.....	1,035,936	4	1,092,000	4	1,130,000	4
Idaho.....	2,139,576	56	2,255,000	56	2,333,000	56
Illinois.....	10,058,446	212	10,600,000	213	10,970,000	213
Indiana.....	6,201,248	131	6,535,000	132	6,763,000	132
Iowa.....	14,304,562	389	15,075,000	391	15,601,000	391
Kansas.....	9,423,551	253	9,931,000	254	10,277,000	254
Kentucky.....	4,194,550	111	4,420,000	112	4,575,000	112
Louisiana.....	4,072,056	84	4,291,000	85	4,441,000	85
Maine.....	1,336,565	40	1,409,000	40	1,458,000	40
Maryland.....	8,055,466	197	8,489,000	198	8,785,000	198
Massachusetts.....	2,592,571	67	2,732,000	68	2,828,000	68
Michigan.....	7,492,985	216	7,897,000	217	8,172,000	217
Minnesota.....	10,824,328	322	11,407,000	324	11,805,000	324
Mississippi.....	7,431,148	203	7,831,000	204	8,105,000	204
Missouri.....	11,381,558	320	11,995,000	321	12,413,000	321
Montana.....	1,638,513	43	1,727,000	43	1,787,000	43
Nebraska.....	9,927,660	286	10,462,000	288	10,827,000	288
Nevada.....	435,489	10	459,000	10	475,000	10
New Hampshire.....	621,264	14	655,000	14	678,000	14
New Jersey.....	5,014,857	137	5,285,000	138	5,469,000	138
New Mexico.....	1,101,400	23	1,161,000	23	1,201,000	23
New York.....	10,636,745	283	11,210,000	284	11,601,000	284
North Carolina.....	12,866,110	326	13,559,000	327	14,032,000	327
North Dakota.....	946,810	26	998,000	26	1,033,000	26
Ohio.....	9,903,875	173	10,437,000	174	10,801,000	174
Oklahoma.....	4,510,474	83	4,753,000	83	4,919,000	83
Oregon.....	2,885,632	75	3,041,000	75	3,147,000	75
Pennsylvania.....	16,275,061	447	17,152,000	449	17,750,000	449
Rhode Island.....	510,569	13	538,000	13	557,000	13
South Carolina.....	3,905,027	94	4,115,000	94	4,259,000	94
South Dakota.....	2,988,441	78	3,149,000	78	3,259,000	78
Tennessee.....	6,308,343	168	6,648,000	169	6,880,000	169
Texas.....	25,691,641	616	27,075,000	617	28,020,000	617
Utah.....	1,989,388	45	2,097,000	45	2,170,000	45
Vermont.....	455,237	7	480,000	7	496,000	7
Virginia.....	7,637,185	198	8,049,000	199	8,329,000	199
Washington.....	4,129,692	117	4,352,000	117	4,504,000	117
West Virginia.....	1,446,419	24	1,524,000	24	1,577,000	24
Wisconsin.....	7,191,113	160	7,578,000	160	7,843,000	160
Wyoming.....	69,321	1	73,000	1	76,000	1
Guam.....	35,588	1	38,000	1	39,000	1
Puerto Rico.....	2,082,221	57	2,194,000	57	2,271,000	57
Samoa.....	19,621	1	21,000	1	21,000	1
Virgin Islands.....	82,892	2	87,000	2	90,000	2
Foreign Countries...	893,193	8	941,000	8	974,000	8
Total Available or Estimate.....	371,978,633	9,238	392,009,000	9,270	405,680,000	9,270

## ECONOMIC RESEARCH SERVICE

## Purpose Statement

The Economic Research Service (ERS), originally established in 1961 principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), functioned as a separate bureau until 1978. ERS was reestablished by the Secretary of Agriculture as a separate USDA bureau in 1981.

ERS's mission is to provide economic and social information and analysis for measuring and improving the performance of agriculture and rural America.

ERS produces economic and other social science information as a service to the general public and to aid Congress and the Administration in developing, administering, and evaluating agricultural and rural policies and programs. ERS monitors, analyzes, and forecasts U.S. and world agricultural production and demand for production resources, agricultural commodities, and food and fiber products. ERS also measures the costs of and returns to agricultural production and marketing; evaluates the economic performance of U.S. agricultural production and marketing; and estimates the effects of Government policies and programs on farmers, rural residents and communities, natural resources, and Americans in general. In addition, ERS produces economic and other social science information about the organization and institutions of the U.S. and world agricultural production and marketing systems, natural resources, and rural communities.

ERS-produced information is made widely available to the general public through research monographs, situation and outlook reports, professional and trade journals (including ERS's journal, The Journal of Agricultural Economics Research), magazines (including ERS's magazines, Agricultural Outlook, Farmlife, National Food Review, and Rural Development Perspectives), radio, television, newspapers, direct computer access, and frequent participation of ERS staff at various public forums.

ERS has four program divisions--Agriculture and Rural Economy, Agriculture and Trade Analysis, Commodity Economics, and Resources and Technology--that carry out the four principal functions of ERS: research, situation and outlook analysis, staff analysis, and development of economic and statistical indicators. Research and economic and statistical indicators provide the knowledge and data bases for the situation and outlook and staff analysis functions. The situation and outlook analysis function entails periodic reports that analyze the current situation and forecast the short-term outlook for major agricultural commodities, agricultural exports, agricultural finance, agricultural resources, and world agriculture. Staff analysis entails brief assessments of issues requiring policy decisions by the Administration and Congress.

ERS is located in Washington, D.C. As of September 30, 1987, ERS had 757 permanent, full-time employees and 47 part-time employees.

## ECONOMIC RESEARCH SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Economic Research Service ....	\$44,961,000:	789:	\$48,186,000:	826:	\$49,771,000:	846
Obligations under other USDA	:	:	:	:	:	:
appropriations:	:	:	:	:	:	:
Agricultural Marketing	:	:	:	:	:	:
Service for study of	:	:	:	:	:	:
marketing of U.S. agri-	:	:	:	:	:	:
cultural products.....	44,950:	--:	20,000:	--:	20,000:	--
Agricultural Stabilization	:	:	:	:	:	:
and Conservation Service	:	:	:	:	:	:
for the rural clean water	:	:	:	:	:	:
program .....	91,181:	1:	--:	--:	--:	--
Animal and Plant Health	:	:	:	:	:	:
Inspection Service for pest:	:	:	:	:	:	:
management studies and	:	:	:	:	:	:
organization history.....	64,000:	--:	--:	--:	--:	--
Cooperative State Research	:	:	:	:	:	:
Service for review of	:	:	:	:	:	:
agricultural research	:	:	:	:	:	:
projects.....	103,046:	1:	107,000:	1:	107,000:	1
Farmers Home Administration	:	:	:	:	:	:
for study of waste water	:	:	:	:	:	:
treatment systems.....	14,539:	--:	--:	--:	--:	--
Foreign Agricultural Service:	:	:	:	:	:	:
for international trade	:	:	:	:	:	:
studies.....	47,500:	--:	38,000:	--:	38,000:	--
Office of the Secretary for	:	:	:	:	:	:
study of farm controls.....	300,000:	5:	--:	--:	--:	--
Soil Conservation Service	:	:	:	:	:	:
for economic research on	:	:	:	:	:	:
erosion model.....	26,900:	--:	--:	--:	--:	--
Various USDA Agencies for	:	:	:	:	:	:
agency support of Great	:	:	:	:	:	:
Plains Council programs,	:	:	:	:	:	:
personnel details, and	:	:	:	:	:	:
food data.....	80,827:	--:	30,000:	--:	30,000:	--
World Agricultural Outlook	:	:	:	:	:	:
Board for publications.....	2,500:	--:	--:	--:	--:	--
Total, Other USDA	:	:	:	:	:	:
Appropriations .....	775,443:	7:	195,000:	1:	195,000:	1
Total, Agriculture	:	:	:	:	:	:
Appropriations .....	45,736,443:	796:	48,381,000:	827:	49,966,000:	847

Item	1987		1988		1989	
	Actual	Staff- Years	Estimated	Staff- Years	Estimated	Staff- Years
Other Federal Funds:						
Forest Service for study of grazing fees.....	28,010	--	--	--	--	--
National Institute of Mental Health for study of health demographics profile system.....	39,999	--	--	--	--	--
Office of International Cooperation and Development: for personnel details and food aid studies.....	1,033,307	17	818,000	14	818,000	14
Total, Other Federal Funds:	1,101,316	17	818,000	14	818,000	14
Non-Federal Funds:						
Miscellaneous Contributed Funds for American Agricultural Economics Association support, user fees, National Academy of Sciences.....	44,075	--	220,000	--	200,000	--
Total, Non-Federal Funds ..	44,075	--	220,000	--	200,000	--
Total, Economic Research Service .....	46,881,834	813	49,419,000	841	50,984,000	861

Full-time Equivalent Staff-Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling .....	813	840	860
Non-ceiling .....	--	1	1
Total .....	813	841	861

## ECONOMIC RESEARCH SERVICE

## Permanent Positions by Grade and Staff-Year Summary

## 1987 and Estimated 1988 and 1989

Grade	FY 1987			FY 1988			FY 1989		
	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-4	4	--	4	4	--	4	4	--	4
ES-3	3	--	3	3	--	3	3	--	3
GS/GM-16	1	--	1	1	--	1	1	--	1
GS/GM-15	50	--	50	52	--	52	53	--	53
GS/GM-14	102	2	104	107	1	108	110	1	111
GS/GM-13	166	2	168	173	2	175	177	2	179
GS-12	148	4	152	152	5	157	156	5	161
GS-11	54	1	55	57	--	57	59	--	59
GS-9	33	--	33	34	--	34	35	--	35
GS-8	13	--	13	13	--	13	13	--	13
GS-7	42	--	42	44	--	44	45	--	45
GS-6	55	--	55	57	--	57	59	--	59
GS-5	39	--	39	40	--	40	41	--	41
GS-4	23	--	23	24	--	24	25	--	25
GS-3	13	--	13	13	--	13	13	--	13
GS-2	1	--	1	1	--	1	1	--	1
Total Permanent Positions .....	748	9	757	776	8	784	796	8	804
Staff-Years:									
Ceiling .....	808	5	813	832	8	840	852	8	860
Non-Ceiling .....	--	--	--	1	--	1	1	--	1
TOTAL .....	808	5	813	833	8	841	853	8	861



## ECONOMIC RESEARCH SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$28,531,998	\$30,383,000	\$31,287,000
Field .....	<u>176,559</u>	<u>297,000</u>	<u>299,000</u>
11 Total personnel compensation .....	28,708,557	30,680,000	31,586,000
12 Personnel Benefits ...	3,849,820	4,403,000	4,534,000
13 Benefits for former personnel .....	<u>199,367</u>	<u>26,000</u>	<u>26,000</u>
Total Personnel Compensation & Benefits.....	<u>32,757,744</u>	<u>35,109,000</u>	<u>36,146,000</u>
Other Objects:			
21 Travel .....	535,294	774,000	804,000
22 Transportation of things .....	44,370	43,000	45,000
23.3 Communications, utilities and miscellaneous charges..	862,849	872,000	906,000
24 Printing and reproduction .....	345,799	400,000	416,000
25 Other services .....	8,653,874	9,633,000	10,046,000
26 Supplies and materials .....	492,357	533,000	554,000
31 Equipment .....	<u>1,221,472</u>	<u>822,000</u>	<u>854,000</u>
Total other objects ....	<u>12,156,015</u>	<u>13,077,000</u>	<u>13,625,000</u>
Total direct obligations .	<u>44,913,759</u>	<u>48,186,000</u>	<u>49,771,000</u>

Position Data:

Average Salary, ES positions .....	\$72,575	\$73,104	\$73,104
Average Salary, GM/GS positions .....	\$36,959	\$37,568	\$37,435
Average Grade, GM/GS positions .....	10.9	10.9	10.9

## ECONOMIC RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Economic Research Service:

For necessary expenses of the Economic Research Service in conducting economic research and service relating to agricultural production, marketing, and distribution, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and other laws, including economics of marketing; analyses relating to farm prices, income and population, and demand for farm products, use of resources in agriculture, adjustments, costs and returns in farming, and farm finance; research relating to the economic and marketing aspects of farmer cooperatives; and for analyses of supply and demand for farm products in foreign countries and their effect on prospects for United States exports, progress in economic development and its relation to sales of farm products, assembly and analysis of agricultural trade statistics and analysis of international financial and monetary programs and policies as they affect the competitive position of the United States farm products; [\$48,186,000] \$49,771,000 of which not less than \$200,000 shall be available for investigation, determination and finding as to the effect upon the production of food and upon the agricultural economy of any proposed action affecting such subject matter pending before the Administrator of the Environmental Protection Agency for presentation, in the public interest, before said Administrator, other agencies or before the courts: Provided, That not less than \$350,000 of the funds contained in this appropriation shall be available to continue to gather statistics and conduct a special study on the price spread between the farmer and the consumer: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That not less than \$145,000 of the funds contained in this appropriation shall be available for analysis of statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

## ECONOMIC RESEARCH SERVICE

Appropriation Act, 1988 .....	\$ 48,186,000
Budget Estimate, 1989 .....	49,771,000
Increase in Appropriation .....	<u>+1,585,000</u>

SUMMARY OF INCREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Economic Analysis and Research.....	\$48,186,000	+\$715,000	+\$870,000	\$49,771,000

PROJECT STATEMENT  
(On basis of appropriation)

Project	1987 Actual	1988 Estimated	1989 Estimated
	Staff- Amount	Staff- Amount	Staff- Amount
	Years	Years	Years
		Increase	
1. Economic Analysis and Research .....	\$44,913,759: 789	\$48,186,000: 826	+\$1,585,000(1): \$49,771,000: 846
Unobligated balance	:	:	:
lapsing.....	47,241: --	--: --	--: --
Total available or estimate .....	44,961,000: 789	48,186,000: 826	+1,585,000: 49,771,000: 846
Transfer to Depart- mental Administration:	+16,000: --	--: --	--: --
Total, appropriation .:	44,977,000: 789	48,186,000: 826	:

EXPLANATION OF PROGRAM

The appropriation for the Economic Research Service funds the following activity:

- Economic analysis and research - This activity includes research, situation and outlook analysis, staff analysis, and development of economic and statistical indicators in four major program areas--agriculture and rural economy, agriculture and trade analysis, commodity economics, and resources and technology.

GAO Report GAO/RCED-87-100 5/87, Agricultural Competitiveness: An Overview of the Challenge to Enhance Exports

GAO Report GAO/RCED-87-99 6/87, Farm Payments: Implications of Targeting Farm Income Supports

GAO Report GAO/AFMD-87-44A 7/87, Budget Issues

GAO Report GAO/RCED-87-177FS 9/87, Agricultural Trade: Trends in Imports of Fruits, Vegetables, and Other Agricultural Products

OIG Report 50-563-94-At, 4/13/86, Audit of the University of Tennessee, Knoxville, Tennessee

OIG Report 50-568-24-At, 8/11/86, Audit of Clemson University, Clemson, South Carolina

OIG Report 50-563-54-KC, 1/30/87, Audit of the University of Missouri, Columbia, Missouri

OIG Report 50-563-109-At, 6/3/87, Audit of North Carolina University, Raleigh, North Carolina

OIG Report 50-568-33-SF, 7/16/87, Audit of the State of Oregon for the Year Ended June 30, 1985

## JUSTIFICATION OF INCREASES

- (1) An increase of \$1,585,000 in economic analysis and research consisting of:
  - (a) An increase of \$715,000 to annualize 1988 pay cost increases.
  - (b) An increase of \$435,000 for agricultural labor/immigration reform analysis (\$0 available in 1988).

Need for Change. Congress has mandated (in the Immigration Reform and Control Act of 1986) that USDA make annual estimates of the demand for seasonal agricultural workers, beginning in 1989. These estimates, in combination with the Department of Labor's estimates of the supply of domestic workers available to do seasonal agricultural work, provide the basis for allowing legal entry of foreign nationals to work in the U.S. agricultural sector under the Special Agricultural Worker Program. In preparation for this mandated responsibility, ERS is redirecting resources in 1987 and 1988 to develop (in cooperation with USDA's National Agricultural Statistics Service) the details of the data requirements and estimation methodology, and will test the data collection procedures and estimation methodology on a pilot basis in FY 1988.

Funding this increase will enable ERS to restore critical work on the employment impacts of the industrial transformation of rural economies, work that has been postponed to free up the resources to do the mandated work described above.

Nature of Change. Estimates of the demand for seasonal agricultural workers will be prepared for each of the 10 farm production regions and for each major crop category (e.g., grains, vegetables, fruits, and horticultural specialty crops). ERS will also adjust its estimates of the demand for workers over time in response to changes in the production of crops covered by the program and in response to changes in technology and personnel practices.

- (c) An increase of \$435,000 for expanded analysis of the effects of new technology (\$750,000 available in 1988).

Need for Change. The United States enjoys a significant comparative advantage in producing and exporting many farm products, based on sustained investment in science and technology. Investment in science and technology abroad and the transfer of technology from the United States is rapidly changing the structure of world agriculture and altering economic efficiencies across countries. Yet, studies of the implications of new technologies have generally been conducted on an ad hoc basis, focusing on a few well-advanced technologies and often neglecting domestic and trade policy implications.

The transformation of biotechnology, for example, from a laboratory curiosity to applied practices is occurring so rapidly that its implications for the productivity, structure, and competitiveness of U.S. agriculture are not being adequately assessed. Genetic engineering, combined with other recent advances such as electronic information and marketing systems, development of livestock growth hormones, and new plant breeding possibilities, has the potential to change the U.S. agricultural system dramatically. Without a more comprehensive assessment of the subject and monitoring of developments, U.S. policymakers will be unable to anticipate potential effects. New technologies could swamp the impacts of commodity and other farm programs. Moreover, many new technologies such as crop breeding for drought resistance or salt tolerance can be easily transferred to other countries. Such a technology transfer could have a significant impact on the U.S. competitive position in world markets.

Nature of Change. ERS will assess the implications of emerging technologies on: U.S. and foreign agricultural productivity, the structure and operation of the major U.S. commodity markets and the agribusiness sector, the competitive position of the United States in world commodity markets, farmer and consumer well-being, and environmental quality.

Economic Research Service  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$ 37,314	1	\$12,500	--	12,500	--
Arizona.....	--	--	--	--	--	--
Arkansas.....	25,000	--	73,000	1	74,000	1
California.....	222,610	--	160,000	3	161,000	3
Colorado.....	115,000	--	25,000	--	25,000	--
Connecticut....	20,000	--	--	--	--	--
Delaware.....	9,188	--	--	--	--	--
District of Columbia.....	43,119,103	784	47,109,500	818	48,692,500	838
Florida.....	85,294	1	70,000	1	70,000	1
Georgia.....	61,840	--	15,000	--	15,000	--
Idaho.....	--	--	18,500	--	18,500	--
Illinois.....	125,500	--	46,500	--	46,500	--
Indiana.....	47,500	--	100,500	1	100,500	1
Iowa.....	89,430	--	25,000	--	25,000	--
Kansas.....	--	--	10,000	--	10,000	--
Kentucky.....	8,024	--	10,000	--	10,000	--
Maryland.....	57,470	--	15,000	--	15,000	--
Michigan.....	78,735	--	30,000	--	30,000	--
Minnesota.....	62,812	--	25,000	--	25,000	--
Mississippi....	57,142	1	40,000	--	40,000	--
Missouri.....	44,482	--	15,000	--	15,000	--
Nebraska.....	85,549	--	55,000	--	55,000	--
New Mexico.....	55,292	--	20,000	--	20,000	--
New York.....	17,500	--	15,000	--	15,000	--
North Carolina.	78,000	--	20,000	--	20,000	--
North Dakota...	--	--	25,000	--	25,000	--
Ohio.....	53,633	--	43,000	1	43,000	1
Oklahoma.....	--	--	5,000	--	5,000	--
Oregon.....	4,865	--	--	--	--	--
Pennsylvania...	46,135	1	87,000	1	87,000	1
Rhode Island...	2,500	--	--	--	--	--
South Carolina.	61,000	--	--	--	--	--
Texas.....	74,571	1	10,000	--	10,000	--
Virginia.....	38,040	--	--	--	--	--
Washington.....	64,930	--	67,500	--	67,500	--
Wisconsin.....	65,300	--	38,000	--	38,000	--
Total, Available or Estimate..	44,913,759	789	48,186,000	826	49,771,000	846





## NATIONAL AGRICULTURAL STATISTICS SERVICE

Purpose Statement

The National Agricultural Statistics Service (NASS) was reestablished as a separate agency in the USDA on September 30, 1981. The primary responsibilities of NASS are the development and issuance of national and State agricultural statistics and the conduct of statistical research as authorized under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

NASS programs are conducted in the following major areas:

1. Crop and Livestock Estimates. This area includes the conducting of mail, enumerative and objective measurement surveys; summarizing and analyzing survey data; developing estimates of production, supply, price and other aspects of the agricultural economy; preparation and issuance of the official USDA national and State estimates and reports relating to acreages, types, and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.
2. Statistical Research and Service. This area includes the research on and development of improved statistical techniques used in gathering and evaluating statistical data, including use of satellite data.
3. Work Performed for Others. Services are performed for other Federal and State agencies and private commodity organizations on a reimbursable or advance payment basis. These services consist primarily of conducting surveys and performing related statistical data collection activities. They also include technical consultation and support, and technical assistance programs abroad under participating agency service agreements.

The National Agricultural Statistics Service maintains a central office in Washington, D.C., with a large part of the agricultural statistics program carried out through 44 State Statistical Offices serving the 50 States. Most State Statistical Offices are operated as joint State and Federal services through cooperative arrangements with various State agencies. As of September 30, 1987, the Service had 981 full-time permanent employees and 123 part-time employees, including 347 permanent full-time and 58 part-time employees located in Washington, D.C.

## NATIONAL AGRICULTURAL STATISTICS SERVICE

Available Funds and Staff-Years1987 Actual and Estimated 1988 and 1989

Item	1987		1988		1989	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
National Agricultural Statistics Service.....	\$57,884,000:	943:	\$61,176,000:	952:	\$64,086,000:	958
Obligations under other USDA appropriations:						
Agricultural Cooperative Service for data on and use of farmer cooperatives.....	293,000:	3:	90,000:	1:	90,000:	1
Agricultural Marketing Service for consulting services and data on milk prices.....	53,000:	1:	57,800:	1:	53,000:	1
Agricultural Stabilization and Conservation Service (CCC) for data on feed grains and sugar.....	113,000:	2:	119,000:	2:	119,000:	2
Economic Research Service for data on cropping practices, farm costs and returns, farm and rural land markets, land transfer, land values, and farm real estate taxes.....	3,546,250:	57:	3,384,000:	57:	3,388,000:	48
Extension Service for use of equipment.....	172:	--:	--:	--:	--:	--
Federal Crop Insurance Corporation for acreage and yield production data on insured crops .....	470,000:	8:	500,000:	8:	500,000:	7
Forest Service for data on grazing fees .....	31,500:	1:	31,500:	1:	31,500:	--
Human Nutrition Information Service for consulting services.....	70,000:	1:	100,000:	2:	100,000:	2
Office of the Secretary for a producer opinion survey..	50,000:	1:	--:	--:	--:	--
World Agricultural Outlook Board for grain report and lockup support.....	6,091:	--:	6,200:	--:	7,000:	--
Total, Other USDA Appropriations .....	4,633,013:	74:	4,288,500:	72:	4,288,500:	61
Total, Agriculture Appropriations .....	62,517,013:	1,017:	65,464,500:	1,024:	68,374,500:	1,019

Item	1987		1988		1989	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
Other Federal Funds:						
Commerce, Department of, for:						
training, list farms, data						
on acreage and livestock						
items, State and county						
estimates, and Census of						
Agriculture.....	573,819	7	98,000	1	98,000	1
Interior, Department of, for:						
data on grazing fees .....	31,500	1	31,500	1	31,500	--
International Trade						
Commission for data on						
floriculture.....	1,500	--	--	--	--	--
Labor, Department of, for						
assistance in research on						
computer assisted tele-						
phone interview techniques..	200,000	--	100,000	--	100,000	--
Office of International						
Cooperation and Development:						
(from AID) for training,						
technical assistance, and						
equipment.....	1,628,331	15	975,000	15	975,000	15
Total, Other Federal Funds..	2,435,150	23	1,204,500	17	1,204,500	16
Non-Federal Funds:						
State Agencies for survey						
work .....	1,186,302	19	1,007,000	18	1,007,000	14
Miscellaneous Contributed						
Funds for distribution of						
crop releases and data						
tapes and for data on						
butter packaging, catfish,						
honey, hops, malting,						
barley, milk, and wheat....	153,331	2	223,000	2	200,000	2
Total, Non-Federal Funds...	1,339,633	21	1,230,000	20	1,207,000	16
Total, National Agricultural						
Statistics Service.....	66,291,796	1,061	67,899,000	1,061	70,786,000	1,051

Full-time Equivalent	1987	1988	1989
Staff-Years:	Actual	Estimated	Estimated
Ceiling .....	1,059	1,059	1,049
Non-ceiling .....	2	2	2
Total .....	1,061	1,061	1,051

## NATIONAL AGRICULTURAL STATISTICS SERVICE

## Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	FY 1987			FY 1988			FY 1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	--	--	--	1	--	1	1	--	1
ES-4	2	--	2	3	--	3	3	--	3
ES-3	1	--	1	2	--	2	2	--	2
ES-2	2	--	2	--	--	--	--	--	--
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	17	13	30	17	13	30	17	13	30
GS/GM-14	34	34	68	34	35	69	34	35	69
GS/GM-13	106	67	173	106	67	173	106	67	173
GS-12	37	86	123	37	85	122	37	85	122
GS-11	12	73	85	12	73	85	12	73	85
GS-9	11	45	56	11	45	56	11	45	56
GS-8	14	1	15	14	1	15	14	1	15
GS-7	27	52	79	26	51	77	26	51	77
GS-6	30	70	100	30	70	100	30	70	100
GS-5	30	94	124	30	94	124	30	94	124
GS-4	18	61	79	18	61	79	18	61	79
GS-3	10	27	37	10	27	37	10	27	37
GS-2	1	1	2	1	1	2	1	1	2
Other Graded Positions .....	--	4	4	--	5	5	--	5	5
Total Permanent Positions .....	353	628	981	353	628	981	353	628	981
Staff-Years: Ceiling .....	385	674	1,059	385	674	1,059	382	667	1,049
Non-Ceiling .....	--	2	2	--	2	2	--	2	2
TOTAL .....	385	676	1,061	385	676	1,061	382	669	1,051

## NATIONAL AGRICULTURAL STATISTICS SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$11,585,264	\$11,995,000	\$12,173,000
Field .....	<u>16,378,558</u>	<u>16,880,000</u>	<u>17,033,000</u>
11 Total personnel compensation .....	27,963,822	28,875,000	29,206,000
12 Personnel Benefits ...	4,563,513	5,246,000	5,438,000
13 Benefits for former personnel .....	<u>18,678</u>	<u>14,000</u>	<u>14,000</u>
Total Personnel Compensation & Benefits.....	<u>32,546,013</u>	<u>34,135,000</u>	<u>34,658,000</u>
Other Objects:			
21 Travel .....	951,365	1,058,000	1,150,000
22 Transportation of things .....	376,184	308,000	335,000
23.3 Communications, utilities and miscellaneous charges..	3,778,758	3,866,000	4,204,000
24 Printing and reproduction .....	351,669	391,000	425,000
25 Other services .....	17,729,887	18,516,000	20,165,000
26 Supplies and materials .....	677,915	760,000	825,000
31 Equipment .....	1,192,557	2,142,000	2,324,000
43 Interest and dividends	<u>1,065</u>	<u>--</u>	<u>--</u>
Total other objects ....	<u>25,059,400</u>	<u>27,041,000</u>	<u>29,428,000</u>
Total direct obligations .	<u><u>57,605,413</u></u>	<u><u>61,176,000</u></u>	<u><u>64,086,000</u></u>

Position Data:

Average Salary, ES positions .....	\$69,533	\$72,216	\$72,216
Average Salary, GM/GS positions .....	\$30,279	\$30,922	\$30,922
Average Grade, GM/GS positions .....	9.2	9.2	9.2

## NATIONAL AGRICULTURAL STATISTICS SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

NATIONAL AGRICULTURAL STATISTICS SERVICE:

For necessary expenses of the National Agricultural Statistics Service in conducting statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvements, and marketing surveys, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, [~~\$61,176,000~~] \$64,086,000: Provided, That, hereafter, no funds available to the Department of Agriculture shall be available to publish estimates of apple production for other than the commercial crop: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$40,000 shall be available for employment under 5 U.S.C. 3109.



## NATIONAL AGRICULTURAL STATISTICS SERVICE

Appropriation Act, 1988 .....	\$ 61,176,000
Budget Estimate, 1989 .....	64,086,000
Increase in Appropriation .....	<u>+2,910,000</u>

SUMMARY OF INCREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Seasonal Agricultural Labor Data.....	--	--	+\$1,200,000	\$1,200,000
All Other.....	\$61,176,000	+\$715,000	+995,000	62,886,000
Total Available .....	<u>61,176,000</u>	<u>+715,000</u>	<u>+2,195,000</u>	<u>64,086,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

Project	1987 Actual		1988 Estimated		Increases	1989 Estimated	
	Amount	Staff-Years	Amount	Staff-Years		Amount	Staff-Years
1. Crop and Live-stock estimates..	\$54,213,489	903	\$57,630,000	911	+\$2,813,000(1)	\$60,443,000	917
2. Statistical research and service .....	3,391,924	40	3,546,000	41	+97,000(2)	3,643,000	41
Unobligated balance ..	278,587	--	--	--	--	--	--
Total available or estimate .....	57,884,000	943	61,176,000	952	+2,910,000	64,086,000	958
Transfer to Departmental Administration .....	+5,000	--					
Total, appropriation :	<u>57,889,000</u>	<u>943</u>					

### EXPLANATION OF PROGRAM

The National Agricultural Statistics Service has two major activities authorized by the Agricultural Marketing Act of 1946, as follows:

- Crop and livestock estimates - Agricultural production and marketing data are collected, summarized, analyzed, and published for a wide range of items including: number of farms and land in farms; acreage, yield, and production for grains; inventories and production of hogs, cattle, sheep and wool, goats, catfish, trout, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies, and related areas of the agricultural economy. Estimates for about 120 crops and 45 livestock items are published in about 300 Federal reports each year. All information is made available to the public and news media at scheduled release times.
- Statistical research and service - Research is conducted to improve the statistical methods and techniques used in developing agricultural statistics. This research is directed toward better sampling, yield forecasting, and survey techniques. Research under the remote sensing program is continuing to improve the accuracy of domestic and foreign crop acreage and land cover estimates

### JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$2,813,000 for crop and livestock estimates consisting of:

- (a) An increase of \$685,000 to annualize 1988 pay costs.
- (b) An increase of \$928,000 for increased operating costs.

Need for Change. NASS is continually facing inflationary costs and has absorbed over 90 percent of these costs since 1980. Continued absorption of these increased operating costs will severely affect the quality and coverage of the NASS estimation program. Otherwise, NASS will be required to reduce frequency and coverage of reports or eliminate reports to cover these costs.

Nature of Change. This will cover the increased costs associated with inflation affecting critical parts of the base crop and livestock estimating program. Examples of cost increases are travel, printing, communication services, supplies, equipment, machine maintenance, staff transfers, and ADP related costs.

- (c) An increase of \$1,200,000 for Seasonal Agricultural Labor Data. (\$0 available in 1988.)

Need for Change. The Immigration Reform and Control Act of 1986 (Public Law 99-603, Section 303) requires that the Departments of Agriculture and Labor jointly estimate the agricultural labor needs and supplies and determine the number of replenishment alien workers to be admitted to the United States to offset any shortages. Estimates are to be made annually beginning on October 1, 1989.

Nature of Change. The Department of Agriculture is to estimate the base and the forecasted demand for seasonal agricultural labor in the United States. Within the Department of Agriculture, NASS will estimate the base while ERS will have responsibility for forecasting demand. Statistically valid estimates of the number of man-days of labor used for agricultural production of perishable commodities will be provided through a nationwide probability sample design. Farmers and ranchers will be contacted several times during the year to provide this information. The data will be utilized in conjunction with analyses by the Economic Research Service to prepare the annual estimates of the demand for seasonal agricultural workers.

- (2) An increase of \$97,000 for statistical research and service consisting of:
- (a) An increase of \$30,000 to annualize 1988 pay costs.
  - (b) An increase of \$67,000 for increased operating costs.

Need for Change. NASS is continually facing inflationary costs and has absorbed over 90 percent of these costs since 1980. Continued absorption of these increased operating costs will severely affect the quality and scope of the NASS research program. Absorption of these costs would cause significant curtailment or elimination of key components of the agency's research on non-sampling errors, estimation methodology, and remote sensing technology.

Nature of Change. This will cover the increased costs associated with inflation affecting critical parts of the base research program. Examples of cost increases are travel, printing, communication services, supplies, equipment, maintenance, research agreements, and ADP related costs.

NATIONAL AGRICULTURAL STATISTICS SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$673,248	14	\$715,000	14	\$749,000	14
Alaska.....	91,954	2	98,000	2	103,000	2
Arizona.....	412,367	8	448,000	9	469,000	9
Arkansas.....	931,494	17	989,000	17	1,036,000	17
California.....	2,740,645	32	2,900,000	33	3,038,000	34
Colorado.....	838,435	17	890,000	17	932,000	17
District of Columbia.....	21,793,530	345	23,360,000	348	24,473,000	350
Florida.....	954,387	17	1,013,000	17	1,061,000	18
Georgia.....	879,232	16	929,000	16	973,000	16
Hawaii.....	298,244	7	316,000	7	331,000	7
Idaho.....	722,393	14	767,000	14	803,000	14
Illinois.....	1,204,757	18	1,280,000	19	1,341,000	19
Indiana.....	815,742	14	867,000	14	908,000	14
Iowa.....	1,055,741	17	1,122,000	17	1,175,000	17
Kansas.....	1,056,870	17	1,132,000	17	1,186,000	17
Kentucky.....	784,330	14	833,000	14	873,000	14
Louisiana.....	886,405	11	941,000	11	986,000	11
Maryland.....	462,463	9	491,000	9	514,000	9
Michigan.....	956,631	15	1,003,000	15	1,051,000	16
Minnesota.....	1,094,243	17	1,162,000	17	1,217,000	17
Mississippi....	976,278	14	1,037,000	15	1,086,000	15
Missouri.....	946,905	17	999,000	16	1,047,000	16
Montana.....	571,325	10	606,000	10	635,000	10
Nebraska.....	1,082,818	19	1,140,000	20	1,194,000	20
Nevada.....	165,610	4	176,000	4	184,000	4
New Hampshire..	610,000	13	668,000	13	700,000	13
New Jersey.....	533,786	8	567,000	8	594,000	8
New Mexico.....	389,553	8	414,000	8	434,000	8
New York.....	1,124,627	15	1,201,000	15	1,258,000	15
North Carolina.	1,005,031	16	1,067,000	16	1,118,000	16
North Dakota...	712,400	14	756,000	14	792,000	14
Ohio.....	847,498	14	892,000	14	934,000	15
Oklahoma.....	794,795	14	832,000	14	872,000	14
Oregon.....	686,956	13	760,000	13	796,000	13
Pennsylvania...	728,669	14	774,000	14	811,000	14
South Carolina.	597,384	12	634,000	12	664,000	12
South Dakota...	758,183	14	805,000	14	843,000	14
Tennessee.....	742,172	13	788,000	13	825,000	13
Texas.....	1,930,920	25	1,969,000	26	2,063,000	26
Utah.....	382,267	8	406,000	8	425,000	8
Virginia.....	869,868	12	780,000	12	817,000	12
Washington.....	794,917	14	844,000	14	884,000	14
West Virginia..	349,832	7	372,000	7	390,000	7
Wisconsin.....	972,489	17	1,032,000	18	1,081,000	18
Wyoming.....	378,019	7	401,000	7	420,000	7
Total, Available or Estimate..	<u>57,605,413</u>	<u>943</u>	<u>61,176,000</u>	<u>952</u>	<u>64,086,000</u>	<u>958</u>

## PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates proposes the purchase of 1 additional motor vehicle and the replacement of 3 passenger motor vehicles.

The passenger motor vehicles of the National Agricultural Statistics Service are used (where common carrier or GSA vehicles are not feasible) for necessary field travel in carrying out the mission of the agency. All passenger motor vehicles are located at various field offices.

Three passenger motor vehicles were purchased in 1987, but were not delivered by September 30, 1987. Vehicles to be disposed of are reported in the summary as two 1981 vehicles and one 1982, all with over 60,000 miles.

Additional passenger motor vehicle. The one additional passenger motor vehicle is for the NASS field offices. GSA has gradually closed many of its motor pool facilities making it more difficult for NASS personnel to obtain cars when needed. The use of common carrier is not feasible in carrying out the program of NASS.

Replacement of passenger motor vehicles. Replacement of 3 of the 13 vehicles now in operation is proposed. These 13 vehicles are located in 12 field locations and are necessary to meet the transportation requirements inherent in carrying out the agency's program. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration.

Age and mileage data for motor vehicles on hand as of September 30, 1987, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Lifetime Mileage (thousands)</u>	<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>		<u>Number of Vehicles</u>	<u>Percent of Total</u>
1981	4	31	60-80	5	38
1982	1	8	40-60	3	23
1983	2	15	20-40	4	31
1984	1	8	Under 20	1	8
1985	4	31	Total	13	100
1986	1	8			
	13	100 a/			

a/ Column does not add because of rounding.





## WORLD AGRICULTURAL OUTLOOK BOARD

Purpose Statement

The World Agricultural Outlook Board (WAOB) was created by the Secretary of Agriculture on June 3, 1977, under the authority of the Reorganization Plan No. 2 of 1953. The WAOB serves as the single focal point for the Nation's economic intelligence related to domestic and international food and agriculture, and is responsible for coordination and clearance review of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department of Agriculture. The WAOB's primary objective is to improve the consistency, objectivity and reliability of outlook and situation material developed in the Department.

WAOB functions include information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; and coordination of weather, climate and remote sensing research and forecasting techniques.

The WAOB is located in Washington, D.C. As of September 30, 1987, there were 27 full-time and 2 part-time employees. Budget, personnel, administrative and general managerial support are provided by the Economics Management Staff.

## WORLD AGRICULTURAL OUTLOOK BOARD

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987		1988		1989	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
World Agricultural Outlook Board .....	\$1,644,000	26	\$1,730,000	30	\$1,906,000	31
Obligations under other USDA appropriations:						
Economic Research Service for annual Outlook Conference..	12,475	- -	13,800	- -	13,800	- -
Extension Service for annual Outlook Conference .....	8,317	- -	8,200	- -	8,200	- -
Foreign Agricultural Service for annual Outlook Conference..	4,158	- -	5,400	- -	5,400	- -
Miscellaneous reimbursements .....	- -	- -	1,600	- -	1,600	- -
Total, Other USDA Appropriations ...	24,950	- -	29,000	- -	29,000	- -
Total, Agriculture Appropriations ...	1,668,950	26	1,759,000	30	1,935,000	31
Total, World Agricultural Outlook Board .....	1,668,950	26	1,759,000	30	1,935,000	31

Full-Time Equivalent Staff-Years:	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Ceiling .....	26	30	31
Non-ceiling .....	- -	- -	- -
Total.....	26	30	31

## WORLD AGRICULTURAL OUTLOOK BOARD

## Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	1987 Headquarters	1988 Headquarters	1989 Headquarters
ES-4 .....	1	1	1
ES-3 .....	1	1	1
GS/GM-15 .....	6	6	8
GS/GM-14 .....	5	5	4
GS/GM-13 .....	2	2	2
GS-12 .....	4	5	6
GS-11 .....	2	2	2
GS-9 .....	4	3	2
GS-8 .....	1	1	1
GS-7 .....	2	2	3
GS-5 .....	-	1	1
GS-4 .....	2	1	-
Total Permanent Positions .....	30	30	31
Staff-Years: Ceiling .....	26	30	31
Non-Ceiling .....	-	-	-
TOTAL .....	26	30	31

## WORLD AGRICULTURAL OUTLOOK BOARD

## CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$1,135,804	\$1,209,000	\$1,298,000
Field .....	<u>- -</u>	<u>- -</u>	<u>- -</u>
11 Total personnel compensation .....	1,135,804	1,209,000	1,298,000
12 Personnel Benefits ...	127,001	146,000	160,000
13 Benefits for former personnel .....	<u>60</u>	<u>- -</u>	<u>- -</u>
Total Pers. Comp. & Benefits .....	1,262,865	1,355,000	1,458,000
Other Objects:			
21 Travel .....	28,277	33,000	35,000
22 Transportation of things .....	3,384	- -	- -
23.2 Communications, utilities and other rent .....	51,959	56,000	58,000
24 Printing and reproduction .....	20,963	22,000	23,000
25 Other services .....	133,567	165,000	229,000
26 Supplies and materials .....	32,127	37,000	33,000
31 Equipment .....	94,455	62,000	70,000
43 Interest and dividends .....	<u>48</u>	<u>- -</u>	<u>- -</u>
Total other objects .....	<u>364,780</u>	<u>375,000</u>	<u>448,000</u>
Total direct obligations ...	<u>1,627,645</u>	<u>1,730,000</u>	<u>1,906,000</u>

Position Data:

Average Salary, ES positions .....	\$71,708	\$72,532	\$72,532
Average Salary, GM/GS positions .....	39,064	40,811	42,087
Average Grade, GM/GS positions .....	11.50	11.64	12.00

## WORLD AGRICULTURAL OUTLOOK BOARD

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

World Agricultural Outlook Board:

For necessary expenses of the World Agricultural Outlook Board to coordinate and review all commodity and aggregate agricultural and food data used to develop outlook and situation material within the Department of Agriculture, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1622g), [~~\$1,730,000~~]; \$1,906,000  
Provided, That this appropriation shall be made available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

## WORLD AGRICULTURAL OUTLOOK BOARD

Appropriations Act, 1988 .....	\$1,730,000
Budget Estimate, 1989 .....	1,906,000
Increase in Appropriation .....	<u>+176,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Economic Analysis & Coordination of Supply/Demand Estimates..	- -	- -	+\$70,000	\$70,000
Meteorological Data Base Expansion .....	- -	- -	+60,000	60,000
All Other .....	<u>\$1,730,000</u>	<u>+\$30,000</u>	<u>+16,000</u>	<u>1,776,000</u>
Total Available.....	<u>1,730,000</u>	<u>+30,000</u>	<u>+146,000</u>	<u>1,906,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

Project	1987 Actual		1988 Estimated		Increase	1989 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Commodity and:							
Aggregate :							
Agricultural:							
and Food :							
Outlook and :							
Situation...:	\$1,627,645	26	\$1,730,000	30	+\$176,000	\$1,906,000	31
Unobligated							
balance .....	16,355	- -	- -	- -	- -	- -	- -
Total, appropria-							
tion or estimate:	1,644,000	26	1,730,000	30	+176,000	1,906,000	31

EXPLANATION OF PROGRAM

The World Agricultural Outlook Board (WAOB) coordinates and reviews for clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the U.S. Department of Agriculture. The WAOB provides a focal point for the Nation's economic intelligence relative to domestic and international food and agriculture, with two primary objectives: improving the consistency, objectivity, and reliability of outlook and situation material being disseminated to the public; and integrating and coordinating USDA domestic and international economic information assistance. In a cooperative effort with the National Oceanic and Atmospheric Administration, the WAOB operates the Joint Agricultural Weather Facility which provides a daily review of significant weather developments around the world and their implications for agriculture. The WAOB's functions include market surveillance; coordination of assessments of international and domestic agricultural developments; weather, climate and remote sensing coordination; and forecasting techniques and information dissemination.



# JUSTIFICATION OF INCREASES AND DECREASES

## (1) An increase of \$176,000 as follows:

- (a) An increase of \$30,000 to annualize the full year costs of 1988 increased pay costs.
- (b) An increase of \$70,000 for economic analysis and coordination of supply and demand estimates.

Need for Change. Funding is needed to coordinate USDA long-range commodity projections, monitor and evaluate the accuracy of global commodity supply/use projections and short-term forecasts.

Nature of Change. An economist is needed to improve USDA long-range commodity projections including interagency coordination, monitoring and evaluation of both projections and short-term forecasts. This will require construction and maintenance of an extensive data base for the purpose of comparing monthly and final estimates of supply and demand parameters for all major agricultural commodities. Statistical measures of the accuracy of forecasts will be developed for the purpose of recommending improved forecast methodologies to commodity analysts. Cross commodity analyses will be performed to assure that forecasts are internally consistent. The economist will work closely with principal analysts from all major commodity groups to review USDA forecasting performance.

- (c) An increase of \$60,000 for meteorological data base expansion to improve crop forecasting.

Need for Change. Integration of climate and current weather data into USDA's economic analyses is a major objective of the WAOB/NOAA Joint Agricultural Weather Facility. Meteorological data base expansion is needed to cover international monitoring and yield analysis of countries with centrally planned economies, especially for the Soviet Union and particularly to identify the impact of a combination of favorable weather and intensive technology on crop yields which may help to explain "high" Soviet grain yields in improving future yields forecasts. Participation in meteorological data base development at regional agricultural weather centers is needed to provide farmers with weather data for use in making cost-cutting decisions with respect to cultural practices including the applications of production inputs and to assure USDA access to this critical information source.

Nature of Change. This initiative will focus on increasing the accuracy of foreign crop estimates and the availability of national weather data to U.S. farmers. In this effort, the weather data base will be improved and expanded. For example, weather's impact on yields is associated with the length of growing season, first and last freeze dates including their distribution around the normal date, and growing degree days.

The most intensive analysis will be on Soviet grain yields, including the relationship between weather and intensive technology on crop yields. In this ongoing project Soviet crop calendars, i.e., plant growth cycles, will be further refined for use as inputs to weather driven yield forecasting models. In addition to the Soviet work, domestic weather impact assessments will be improved by implementing a procedure for exchanging data with Regional Climate Centers of the National Climate Program. Acquisition of these data will supplement the Department's information base for preparing crop condition and water quality/resource assessments.

- (d) An increase of \$16,000 for increased operating costs.

Need for Change. Since WAOB is a small agency, it does not have the budget flexibility to absorb increasingly higher operating costs. These additional funds will help sustain the program level and performance at the fiscal year 1988 level.

Nature of Change. The additional funds will be used to fund higher general operating costs.

World Agricultural Outlook Board  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
District of Columbia	\$1,627,645	26	\$1,730,000	30	\$1,906,000	31
Total Available or Estimate.....	1,627,645	26	1,730,000	30	1,906,000	31



- (d) An increase of \$16,000 for increased operating costs.

Need for Change. Since WAOB is a small agency, it does not have the budget flexibility to absorb increasingly higher operating costs. These additional funds will help sustain the program level and performance at the fiscal year 1988 level.

Nature of Change. The additional funds will be used to fund higher general operating costs.

World Agricultural Outlook Board  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	1987		1988		1989	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
District of Columbia	\$1,627,645	26	\$1,730,000	30	\$1,906,000	31
Total Available or Estimate.....	1,627,645	26	1,730,000	30	1,906,000	31

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Purpose Statement

The Office of International Cooperation and Development (OICD) was established by Secretary's Memorandum No. 1947, dated May 1, 1978, with responsibility for technical assistance, international training and development programs, coordination of international organization affairs and scientific exchanges. These functions were further expanded by Secretary's Memorandum No. 1988, dated October 26, 1979, which provided authority for international cooperative research. In August, 1986, OICD was also provided authority to disseminate information to the U.S. private sector on foreign market and investment opportunities.

The mission of OICD is to promote U.S. agriculture and to advance the agriculture of developing countries as parts of a complementary global agricultural system capable of providing ample food and fiber for all people. To accomplish this mission, OICD applies USDA policies and U.S. agricultural perspectives in its programs of international agricultural cooperation and development, and in its work with foreign countries, international organizations, U.S. universities and other institutions, agencies of the U.S. Government, and the U.S. private sector. OICD's program objectives are:

(1) to insure that American agricultural interests related to global food security and international agricultural development are considered in the policy processes of the U.S. Government and international organizations;

(2) to provide efficient and creative use of resources available in USDA, the universities, agribusiness and international organizations, in the implementation of international agricultural development and cooperative programs;

(3) to assure that U.S. commodity groups, producers and agribusiness benefit from research and other activities that may result from cooperative agreements with other countries;

(4) to initiate cooperative efforts with other countries and international organizations that lead to the sound management of natural resources;

(5) to improve agricultural production and related capabilities of the developing countries by enlisting the resources of government, universities and agribusiness in technical assistance, training and scientific cooperative programs.

As of September 30, 1987, there were 180 permanent full-time employees (165 in headquarters and on resident assignment overseas) and 38 other (31 in head quarters and 7 on resident assignments overseas).

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Available Funds And Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses .....	\$5,149,000	57	\$5,295,000	59	\$3,972,000	57
Scientific Activities Overseas (Foreign Currency Research) .....	2,500,000	2	1,500,000	2	- -	0
Total, Agricultural Appropriations .....	7,649,000	59	6,795,000	61	3,972,000	57
Other Federal Funds:						
Agency for International Development for training subsistence, and tuition of foreign nationals and technical assistance and analyses to aid foreign development .....	35,725,791	143	36,000,000	131	36,000,000	130
Non-Federal Funds:						
Miscellaneous contributed funds for USDA develop- ment assistance and international research projects from Spain, Saudi Arabia and other developing countries .....	2,664,215	20	5,188,000	16	5,188,000	16
Total, Office of International Cooperation & Development...	46,039,006	222	47,983,000	208	45,160,000	203

Full-Time Equivalent  
Staff-Years:1987  
Actual1988  
Estimated1989  
Estimated

Ceiling .....

202

192

187

Non-ceiling .....

20

16

16

Total .....

222

208

203

===

===

===



OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT  
Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	9	1	10	9	1	10	9	1	10
GS/GM-14	41	--	41	41	1	42	41	1	42
GS/GM-13	28	--	28	29	--	29	28	--	28
GS-12	23	--	23	23	--	23	23	--	23
GS-11	15	--	15	15	--	15	17	--	17
GS-9	14	--	14	14	--	14	15	--	15
GS-8	9	--	9	9	1	10	9	1	10
GS-7	32	--	32	32	--	32	30	--	30
GS-6	17	--	17	17	--	17	17	--	17
GS-5	13	--	13	13	--	13	11	--	11
GS-4	3	--	3	3	--	3	3	--	3
GS-3	1	--	1	1	--	1	3	--	3
GS-2	--	--	--	2	--	2	--	--	--
GS-1	2	--	2	--	--	--	--	--	--
Other Graded Positions .....	--	19	19	--	19	19	--	19	19
Total Permanent Positions.....	210	20	230	211	22	233	209	22	231
Staff-Years: Ceiling.....	190	12	202	178	14	192	174	13	187
Non-Ceiling....	9	11	20	5	11	16	5	11	16
Total .....	199	23	222	183	25	208	179	24	203

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

## CLASSIFICATION BY OBJECTS

1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$2,149,098	\$ 1,992,000	\$2,006,000
Field .....	<u>64,902</u>	<u>150,000</u>	<u>160,000</u>
11 Total personnel compensation.....	2,214,000	2,142,000	2,166,000
12 Personnel Benefits.....	<u>331,096</u>	<u>343,000</u>	<u>368,000</u>
Total Pers. Comp & Benefits .....	2,545,096	2,485,000	2,534,000
Other Objects:			
21 Travel .....	614,078	615,000	515,000
22 Transportation of things .....	26,298	27,000	27,000
23.2 Rental payments to others .....	3,132	4,000	4,000
23.3 Communications, util. & other rent .....	111,000	116,000	116,000
24 Printing and reproduction .....	34,517	39,000	39,000
25 Other services .....	1,782,012	1,915,000	695,000
26 Supplies and materials .....	39,105	42,000	40,000
31 Equipment .....	67,278	70,000	70,000
41 Research Grants .....	<u>4,093,938</u>	<u>1,482,000</u>	<u>547,000</u>
Total other objects .....	<u>6,771,358</u>	<u>4,310,000</u>	<u>2,053,000</u>
Total direct obligations..	<u>9,316,454</u>	<u>6,795,000</u>	<u>4,587,000</u>

Position Data:

Average Salary, ES positions .....	\$73,971	\$77,670	\$77,670
Average Salary, GS positions .....	\$27,928	\$29,127	\$29,127
Average Grade, GS positions .....	9.8	10.6	10.6

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

- For necessary expenses of the Office of International Cooperation and Development to coordinate, plan, and direct activities involving international development, technical assistance and training, and international scientific and technical cooperation in the Department of Agriculture, including those authorized by the Food and Agriculture Act of 1977 (7 U.S.C. 3291),<sup>1</sup>[\$5,295,000] \$3,972,000; Provided [That in addition, funds available to the Department of Agriculture shall be available to assist an international organization in meeting the costs, including salaries, fringe benefits and other associated costs, related to the employment by the organization under the provisions of 5 U.S.C. 3581-3584, or of other well-qualified United States citizens, for the performance of activities that contribute to increased understanding of international agricultural issues, with transfer of funds for this purpose from one appropriation to another or to a single account authorized, such funds remaining available until expended: Provided further,]That the Office may utilize advance of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs of the International Development Cooperation Administration (22 U.S.C. 2392). (7 U.S.C. 427, 450a, 450b, 1624, 1709, 1727, 1736, 1761, 2201 2202.)

This change deletes the appropriation language.

## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Appropriation Act, 1988 .....	\$5,295,000
Budget Estimate, 1989 .....	3,972,000
Decrease in Appropriation .....	- 1,323,000
	=====

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Scientific Exchanges .....	\$1,477,000	\$8,000		\$1,485,000
Administration of International Research .....	1,446,000	9,000		1,455,000
USDA Liaison with International Organizations.....	580,000	6,000	\$145,000	731,000
Development, Planning and Analysis.....	300,000	1,000		301,000
Middle-Income Country Training	1,492,000		-1,492,000	- 0 -
Total Available .....	<u>5,295,000</u>	<u>24,000</u>	<u>-1,347,000</u>	<u>3,972,000</u>
	=====	=====	=====	=====

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>		<u>1988 Estimated</u>		<u>Increase or Decrease</u>	<u>1989 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. International Scientific & Technical Coop- eration:							
(a) Scientific Exchanges.....	\$1,323,000	18	\$1,477,000	18	+\$8,000 (1)	\$1,485,000	18
(b) Administration of International Research .....	1,386,000	21	1,446,000	21	+9,000 (2)	1,455,000	21
(c) USDA liaison with inter- national organi- zations.....	450,000	14	580,000	16	+151,000 (3)	731,000	16
Total, International Scientific & Tech- nical Cooperation	3,159,000	53	3,503,000	55	+168,000	3,671,000	55

Project	1987 Actual		1988 Estimated		Increase of Decrease	1989 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
2. International Agricultural Development:							
(a) Development Planning & Analysis .....	\$498,000	2	\$300,000	2	\$1,000(4)	\$301,000	2
(b) Middle-Income Country Training.	1,492,000	2	1,492,000	2	-1,492,000(5)	--	--
Total, International Agricultural Develop- ment .....	1,990,000	4	1,792,000	4	-1,491,000	301,000	2
Total, Appropriation .....	5,149,000	57	5,295,000	59	-1,323,000	3,972,000	57

## EXPLANATION OF PROGRAM

The appropriation for the Office of International Cooperation and Development (OICD) is used to develop, implement and evaluate USDA's policies and programs related to agricultural cooperation and development throughout the world. OICD's responsibilities include activities conducted by the Scientific and Technical Exchange Division, the International Research Division, the International Organization Affairs Division, and Development Planning and Analysis activities.

The Scientific and Technical Exchange Division directs USDA's scientific and technical exchange programs with foreign governments, research institutions and scientists, as authorized by Section 1436 of the Agriculture and Food Act of 1981. The primary objective of the exchanges is to strengthen the role of science and technology in the ongoing effort to stabilize world food supplies and to increase the efficiency with which world resources are utilized. The Division coordinates activities developed under existing and new bilateral agreements with foreign countries on behalf of USDA and provides the necessary administrative support. This program represents an innovative, cost-sharing approach to the exchange of scientific and technical information useful to the U.S. agricultural community and to foreign countries.

The International Research Division coordinates the Department's international agricultural research activities carried out in cooperation with various USDA agencies, U.S. colleges of agriculture and foreign research institutions. These collaborative research efforts yield valuable information which results in better protection of U.S. agriculture from foreign pests and diseases and increases domestic agricultural productivity. At the same time, the application of new information reduces the threat of hunger and malnutrition overseas.

Research projects are conducted under a variety of binational agreements and funding mechanisms. As authorized by Section 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, OICD administers the Foreign Currency Research Program through which foreign scientists conduct research of direct benefit to U.S. agriculture using U.S.-owned foreign currencies. It is responsible for the administration and coordination of research programs under the Treaty of Friendship and Cooperation with Spain and the research activities supported by the U.S.-Israel Binational Agriculture Research and Development Fund (BARD). Under Section 1436 of the Agriculture and Food Act of 1981, OICD fosters increased participation of U.S. land-grant colleges in agricultural research activities abroad.

The International Organization Affairs Division coordinates USDA's and the U.S. Government's participation in approximately 30 international organizations concerned with food, agriculture and rural development. The Division represents USDA in the organization's policy and program planning, advances U.S. interests and protects U.S. agriculture. In addition, the Division organizes U.S. delegations to international conferences on agriculture and arranges the placement of approximately 60 agriculturists each year on short and long-term assignments with international organizations.

Development Planning and Analysis activities involve the analysis of agricultural policy issues as they relate to USDA involvement in agricultural cooperation and development programs. This includes the formulation, review, and evaluation of P.L. 480 Title I/III self-help and Food for Development proposals, the coordination of the International Science and Education Council's involvement in international development efforts, and the coordination of the President's Cancun and Caribbean Basin Initiatives. In addition, the Agriculture Information Center provides a central point of contact for responding to inquiries from the U.S. private sector and developing countries on trade and investment opportunities.

#### JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$8,000 for Scientific Exchanges.  
 (\$1,477,000 available in 1988)

An increase of \$8,000 to annualize 1988 pay costs.

- (2) An increase of \$9,000 for the Administration of International Research.  
 (\$1,446,000 available in 1988)

An increase of \$9,000 to annualize 1988 pay costs.



- (3) An increase of \$151,000 for USDA liaison with international organizations consisting of:  
 (\$580,000 available in 1988)

(a) An increase of \$6,000 to annualize 1988 pay costs.

- (b) An increase of \$145,000 for USDA staff representation at the U.S. Mission to the U.N. Agencies for Food and Agriculture - FODAG

Need for Change. The Rome-based FODAG position has existed since 1979, and OICD will be providing resources for this position. It is very advantageous for USDA to have a Rome-based position to represent USDA interests in FODAG and U.N. food agencies on a day-to-day basis, and to serve as our interface between FAO and USDA visitors, to attend meetings, and to host social functions for high-level officials. If this position is not continued, additional travel of Washington-based personnel to cover meetings and to provide liaison service would require approximately \$50,000 without the benefit of a USDA representative permanently assigned to FODAG/Rome. (No funds available in 1988)

Nature of Change The increase in funds will support the salaries and benefits of staff in addition to travel and transportation costs and other necessary expenditures.

- (4) An increase of \$1,000 for Development, Planning and Analysis.  
 (\$300,000 available in 1988)

An increase of \$1,000 to annualize 1988 pay costs.

- (5) A decrease of \$1,492,000 for the Middle-Income Country Training Program.  
 (\$1,492,000 available in 1988)

Need for Change \$ 1,492,000 was appropriated in FY 1988 to provide training to participants from selected Middle Income Countries. These funds, while committed in the FY 1988, will be expended over the approximate 1 1/2 year life of the program and are sufficient to enable present enrollees to complete their programs.

Nature of Change. Approximately 180 participants selected in FY 1988 will receive short term technical and/or long term academic training over a 2 1/2 year period. No new participants will be selected for training in FY 1989.

Office of International Cooperation and Development  
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
 1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia	\$5,149,000	55	\$5,295,000	57	\$3,972,000	57



## OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets).

[ Scientific Activities Overseas (Foreign Currency Research Program) ]

[For payments in foreign currencies owed to or owned by the United States for market development research and authorized by section 104(b)(1) and for agricultural and forestry research and other functions related thereto authorized by section 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (b)(1), (3)), \$1,500,000: Provided, That this appropriation shall be available, in addition to other appropriations for these purposes, for payments in the foregoing currencies: Provided further, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph: Provided further, That not to exceed \$25,000 of this appropriation shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), as amended by 5 U.S.C. 3109.]

This change deletes the appropriation language for the Scientific Activities Overseas - Foreign Currency Research Program. Research projects already underway will continue until completion.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENTSCIENTIFIC ACTIVITIES OVERSEAS

Appropriation Act, 1988 .....	\$1,500,000
Budget Estimate, 1989 .....	--
Decrease in Appropriation .....	<u>- 1,500,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On the basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Market Development Research.....	\$150,000	-\$150,000	--
Agricultural and Forestry Research .....	1,350,000	-1,350,000	--
Total Available .....	<u>1,500,000</u>	<u>-1,500,000</u>	<u>--</u>

PROJECT STATEMENT  
(on basis of appropriation)

	: 1987 Actual	: 1988 Estimated	: 1989 Estimated
	: Staff:	: Staff:	: Staff
	:Amount :Years:	Amount : Years:	: Amount: Years
1. Market devel-	:	:	:
opment re-	:	:	:
search, Sec.	:	:	:
104(b)(1) .....	\$416,700:	\$150,000:	-- : --
2. Agricultural	:	:	:
and forestry	:	:	:
research,	:	:	:
Sec. 104(b)(3)....	2,083,300: 2	1,350,000: 2	-- : --
Total, appropriation..	2,500,000: 2	1,500,000: 2	-- : --

The following statement reflects carryover into succeeding years of actual or estimated prior year balances and shows total actual or planned obligations.

PROJECT STATEMENT  
(on basis of available funds)

Project	: 1987 Actual	:	: 1988 Estimated	:	: 1989 Estimate	:
	: Amount	: Staff:	: Amount	: Staff:	: Increase or:	: Staff
		: Years:		: Years:	: Decrease	: Amount
						: Years
1. Market devel-	:	:	:	:	:	:
opment re-	:	:	:	:	:	:
search, Sec.	:	:	:	:	:	:
104(b)(1) .....	\$417,000:	:	\$150,000:	:	-\$83,000	\$62,000: --
2. Agricultural	:	:	:	:	:	:
and forestry	:	:	:	:	:	:
research,	:	:	:	:	:	:
Sec. 104(b)(3)...	3,750,000:	2	1,350,000:	2	-797,000:	553,000:
Total, Obligations	4,167,000:	2	1,500,000:	2	-885,000:	615,000: --
Unobligated balance,	:	:	:	:	:	:
start of year.....	-4,366,000:	--	-2,699,000:	--	--	-2,699,000: --
Unobligated balance,	:	:	:	:	:	:
end of year.....	2,699,000:	--	2,699,000:	--	-615,000:	2,084,000: --
Total available or	:	:	:	:	:	:
estimate .....	2,500,000:	2	1,500,000:	2	-1,500,000:	-- : --

EXPLANATION OF PROGRAM

As authorized by Sections 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, USDA uses foreign currencies which the Treasury Department determines to be excess to U.S. Government needs to support agricultural and forestry research on problems of mutual interest to the United States and participating foreign countries. OICD represents all USDA agencies in this activity. Since the program's inception in 1958, over 2,000 projects valued at approximately \$150 million equivalent in foreign currency have been negotiated in 33 countries worldwide. The appropriation for Scientific Activities Overseas is allotted as intergovernmental fund transfers when grants are obligated for cooperative research in foreign countries.

Research projects conducted abroad through grants negotiated with foreign research institutions and organizations are selected based on their relevance to priority U.S. agricultural concerns, such as preventing the incursion of animal diseases and exotic insects and developing plants that are drought tolerant, disease-resistant and more productive. Cooperative research benefits U.S. agriculture by developing markets for U.S. agricultural products and equipment, adding to knowledge of our environment, and cutting the cost of valuable research. It also provides access to unique agricultural ecosystems in order to study insects, weeds and diseases which have entered the United States and cause severe losses due to lack of biological control.

JUSTIFICATION OF INCREASES AND DECREASES

(1) No appropriation is requested for 1989. (\$1,500,000 available in 1988).

Need for Change. In recent years, the types of currencies determined to be in excess by the Department of Treasury has declined and thus the availability of currencies for this program has diminished. In several cases, these programs have moved to alternate funding arrangements. For example, the program in India shifted to an endowment, the U.S.-India Fund (USIF), in fiscal year 1986.

Nature of Change. The FCR program will be phased out over approximately a four year period. FCR grants average five years in length with the entire amount obligated in the year the grant is signed. Existing grants will continue to be serviced until liquidated.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Overseas .....	\$4,167,000	2	\$1,500,000	2	\$615,000	--



## FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953 by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service to provide U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 76 posts located throughout the world covering some 108 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities. Advanced computer and telecommunications technology is used to improve and speed the flow of information between the posts and Washington.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and subjected to analysis through advanced econometric techniques to generate these estimates.

In addition, the Service uses advanced techniques for identifying, delineating and assessing the impact of events which may affect the condition and expected production of foreign crops of economic importance to the United States. The crop condition activity relies heavily on computer aided analysis of satellite, meteorological, agricultural and related data.

The Service develops foreign markets for U.S. farm products through effective market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build and maintain overseas markets for U.S. agricultural products. The Agricultural Trade Act of 1978 includes authority to establish up to 25 Agricultural Trade Offices. Currently fifteen such offices are in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion.

The Service initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to third markets.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 76 posts around the world. As of September 30, 1986, there were 805 permanent full-time employees, 534 in headquarters and 271 in field locations, and 18 other, 15 of those in headquarters and 3 in field locations.

## FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff-Years1987 Actual and Estimated, 1988 and 1989

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Foreign Agricultural Service .....	\$83,783,000	695	\$92,217,000	709	\$89,057,000	709
Obligations under other USDA appropriations:						
Office of International Cooperation and Development for remote sensing.....	124,750	--	--	--	--	--
Agricultural Marketing Service for Cotton Research...	16,709	--	18,000	--	18,000	--
Agri. Stabilization and Conservation Service for Landsat Data and support of export programs.....	1,946,735	--	2,221,000	--	2,221,000	--
Economic Research Service for promoting trade cooperation.....	25,000	--	--	--	--	--
Economic Research Service for Foreign Publication Procurement Program:	4,500	--	5,000	--	5,000	--
Departmental Administration for Advisory Committees:	111,436	--	135,000	--	135,000	--
Agricultural Stabilization and Conservation Service for support in Brussels.....	9,042	1	9,000	1	10,000	1
Packers and Stockyards for detail..	393	--	--	--	--	--
Agricultural Stabilization and Conservation Service for technology service.....	4,125	1	17,000	1	17,000	1
Office of International Cooperation and Development for Food and Agricultural Organization Agricultural Attache support...	--	--	185,000	1	198,000	1
Total, Other USDA Appropriations....	2,242,690	2	2,590,000	3	2,604,000	3
Total, Agricultural Appropriations....	86,025,690	697	94,807,000	712	91,661,000	712

Continued

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Non-Federal Funds:						
Dairy Import						
Licenses.....	218,610	--	--	--	--	--
Information Cir-						
culars.....	157,708	--	165,000	--	165,000	--
User Fees for						
Attache Reports..	54,316	--	60,000	--	60,000	--
User Fees for						
AIMS Trade Leads..	49,140	--	45,000	--	45,000	--
User Fees for						
Computer Time						
and Files.....	3,516	--	3,000	--	3,000	--
Total, Foreign						
Agricultural Service	\$86,508,980	697	\$95,080,000	712	\$91,934,000	712

Full-Time Equivalent Staff Years:	1987	1988	1989
	Actual	Estimated	Estimated
Ceiling.....	689	704	704
Non-ceiling.....	8	8	8
Total.....	697	712	712

## FOREIGN AGRICULTURAL SERVICE

## Permanent Positions by Grade and Staff-Year Summary

## 1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :
ES-6	2	--	2	2	--	2	2	--	2
ES-5	1	--	1	1	--	1	1	--	1
ES-4	2	--	2	2	--	2	2	--	2
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	23	--	23	23	--	23	23	--	23
GS/GM-14	43	--	43	43	--	43	43	--	43
GS/GM-13	53	--	53	53	--	53	53	--	53
GS-12	42	--	42	42	--	42	42	--	42
GS-11	40	--	40	45	--	45	45	--	45
GS-10	1	--	1	1	--	1	1	--	1
GS-9	34	--	34	45	--	45	45	--	45
GS-8	12	--	12	12	--	12	12	--	12
GS-7	56	--	56	60	--	60	60	--	60
GS-6	37	--	37	37	--	37	37	--	37
GS-5	16	--	16	16	--	16	16	--	16
GS-4	13	--	13	13	--	13	13	--	13
GS-3	6	--	6	6	--	6	6	--	6
GS-2	5	--	5	5	--	5	5	--	5
Other Graded Positions .....	43	123	166	43	123	166	43	123	166
Ungraded Positions.	4	145	149	4	145	149	4	145	149

## FOREIGN AGRICULTURAL SERVICE

## Permanent Positions by Grade and Staff-Year Summary

## 1987 and Estimated 1988 and 1989

continued

	1987			1988			1989		
	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :
Total Permanent Positions .....	434	268	702	454	268	722	454	268	722
Staff Years:									
Ceiling .....	423	266	689	438	266	704	438	266	704
Non-Ceiling .....	8	0	8	8	0	8	8	0	8
TOTAL .....	431	266	697	446	266	712	446	266	712

## FOREIGN AGRICULTURAL SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters .....	\$14,832,834	\$16,090,000	\$16,162,000
Field .....	<u>10,004,223</u>	<u>10,795,000</u>	<u>11,132,000</u>
11 Total personnel compensation .....	24,837,057	26,885,000	27,294,000
12 Personnel Benefits .....	3,959,698	5,638,000	5,972,000
13 Benefits for former personnel .....	<u>96,188</u>	<u>99,000</u>	<u>100,000</u>
Total Pers. Comp. & Benefits .....	<u>28,892,943</u>	<u>32,622,000</u>	<u>33,366,000</u>
Other Objects:			
21 Travel .....	2,207,797	2,765,000	2,770,000
22 Transportation of things .....	900,970	914,000	915,000
23 Communications, utilities and other rents .....	5,600,556	6,208,000	6,560,000
24 Printing and reproduction .....	560,533	558,000	560,000
25 Other services .....	42,189,236	46,826,000	42,881,000
26 Supplies and materials...	1,353,605	1,154,000	1,000,000
31 Equipment .....	1,448,572	1,165,000	1,000,000
42 Insurance claims and indemnities .....	<u>4,705</u>	<u>5,000</u>	<u>5,000</u>
Total other objects .....	<u>54,265,974</u>	<u>59,595,000</u>	<u>55,691,000</u>
Total direct obligations.	<u>\$83,158,917</u> =====	<u>\$92,217,000</u> =====	<u>\$89,057,000</u> =====

Position Data:

Average Salary, ES positions .....	\$75,171	\$75,171	\$75,171
Average Salary, FO positions .....	\$50,677	\$52,197	\$52,197
Average Salary, GM/GS positions .....	\$32,677	\$33,657	\$33,657
Average Grade, GM/GS positions .....	8	8	8



## FOREIGN AGRICULTURAL SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954, as amended (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed \$110,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [~~\$92,017,000~~] \$89,057,000: Provided, That not less than \$255,000 of this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis: Provided further, That, hereafter, notwithstanding any other provision of law, upon the request of the Secretary of Agriculture, the Secretary of State shall accord the diplomatic title of Minister-Counselor to the senior Foreign Agricultural Service Officer assigned to any United States mission abroad: Provided further, That the number of Agricultural Counselors accorded such diplomatic title at any time shall not exceed eight: Provided further, That funds available to the Foreign Agricultural Service under this and subsequent appropriations Acts shall be available to contract with individuals for services to be performed outside the United States as determined by the Service to be necessary or appropriate for carrying out programs and activities abroad. Such individuals shall not be regarded as officers or employees of the United States under any law, including any law administered by the Office of Personnel Management.

[There are authorized to be appropriated such sums as may be necessary to carry out this chapter: Provided, That \$200,000 is appropriated to carry out this chapter for fiscal year 1988 pursuant to the Agricultural Aid and Trade Mission Act, Section 157 of P.L. 100-202.]

This change proposes to delete \$200,000 appropriated for trade missions. The Act requires missions to sixteen countries during calendar 1988. As it is anticipated that these missions will be accomplished during fiscal year 1988, no funding is required in fiscal year 1989.

FOREIGN AGRICULTURAL SERVICE

Appropriation Act, 1988 .....	\$92,217,000
Budget Estimate, 1989 .....	89,057,000
Decrease in Appropriation .....	<u>- 3,160,000</u>
	=====

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Foreign Agricultural Affairs .	\$25,572,000	--	\$25,572,000
Foreign Market Information and Access .....	14,145,000	--	14,145,000
Foreign Market Development ...	<u>52,500,000</u>	<u>\$-3,160,000</u>	<u>49,340,000</u>
Total Available .....	<u>92,217,000</u>	<u>-3,160,000</u>	<u>89,057,000</u>
	=====	=====	=====

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
	<u>:Staff:</u>	<u>:Staff:</u>	<u>:Staff:</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>
1. Foreign Agricultural Affairs ..	\$23,294,328: 314:	\$25,572,000 : 314:	\$25,572,000: 314
2. Foreign Market Information and Access.....	11,775,185: 210:	14,145,000 : 224:	14,145,00 : 224
3. Foreign Market Development ...	48,089,404: 171:	52,500,000 : 171:-	49,340,000: 171
Unobligated balance..	624,083: :	-- : :	-- : :
Total available or estimate .....	83,783,000: 695:	92,217,000 : 709:-	89,057,000: 709
	=====	=====	=====

### EXPLANATION OF PROGRAM

The Foreign Agricultural Service appropriation funds the activities authorized by the Agricultural Act of 1954 (P.L. 690), as amended, and the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended. The activities carried out are as follows:

FOREIGN AGRICULTURAL AFFAIRS - This program area conducts activities contributing to five major objectives. The objectives and their respective workload and achievement indices are as follows:

1. Collecting, interpreting and analyzing marketing, economic and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs; this information is disseminated to farmers for use in planning and marketing decisions. Counselors and attaches submit approximately 4,500 reports annually on production, marketing, economic and trade information.
2. Providing guidance and field supervision in friendly countries with developing markets and implementing related projects. Annually, counselors and attaches provide over 3,700 trade leads and write more than 50,000 letters responding to inquiries regarding U.S. and host country agriculture.
3. Representing global U.S. agricultural trade policy interests, with particular emphasis on obtaining improved access for U.S. farm exports. An estimated 1,100 special trade access communications are sent each year containing direct support for the U.S. export trade.
4. Contributing mission support including guidance and assistance to agricultural development programs in less-developed friendly countries. As members of Embassy country teams, attaches and counselors provide technical guidance on U.S. agricultural developments.
5. Providing representation at international meetings, assistance to U.S. delegates attending international agricultural fora, and service to other USDA agency programs.

FOREIGN MARKET INFORMATION AND ACCESS - This activity consists of three program areas--international agricultural statistics, commodity programs, and international trade policy. These functions, their related objectives, and their respective workload and achievement indices are discussed below.

The program areas prepare and disseminate approximately 130 commodity circulars covering over 100 commodities, 52 issues of the Weekly Roundup of World Production and Trade plus 12 supplements, 12 World Crop Production reports, 4 issues of the Outlook for U.S. Agricultural Exports published jointly with the Economic Research Service, and make a major contribution to the USDA's 12 World Agricultural Supply and Demand Estimates reports. In addition to published documents, numerous current information reports and ad hoc analyses are prepared for internal use by the Administrator and other high level officials. These reports include the monthly Highlights of U.S. Agricultural Trade and daily/weekly commodity Price and Key Developments reports. FAS also prepares a new series of International Marketing Profiles designed to provide exporters with detailed commodity-specific or country specific export information.

1. International Agricultural Statistics - This program area conducts activities contributing to six major objectives to support the development and expansion of foreign agricultural markets. The objectives addressed and their workload and achievement indices are as follows:

- a. Providing American farmers, traders, agribusiness leaders, and policy makers with timely estimates and forecasts of world agricultural production. This area also provides primary input to commodity program operations and prepares the monthly World Crop Production report. This ongoing program involves preparation of monthly estimates of major field crops, biannual estimates of horticultural and tropical crops and annual estimates of forest products and livestock production.
  - b. Providing analysts and counselors/attaches with current information on the existence, extent, and probable impact of weather-related events on foreign crop conditions.
  - c. Improving the quality and timeliness of agricultural counselor/attache reporting and exchanging of information between Washington-based analysts and overseas counselors/attaches; and substantially increasing the timeliness of information to the U.S. trade using the Global Economic Data Exchange System.
  - d. Providing American farmers, traders, agribusiness leaders, and policy makers with information on U.S. and foreign trade, economic indicators, and tariff and other restrictions affecting trade.
  - e. Monitoring and reporting on exports of selected U.S. agricultural commodities.
  - f. Providing agency-wide ADP support to enhance the overall FAS mission of expanding agricultural exports.
2. Commodity Programs - This program area conducts activities contributing to four major objectives. The objectives addressed and, where feasible, their respective workload and achievement indices are as follows:
- a. Providing American farmers, traders, and agribusiness leaders with timely and accurate information on world supply and demand of U.S. agricultural products. Data analyses of factors such as trade potential, prices, supply, consumption, and overall demand are conducted by commodity specialists. The impact these factors have upon U.S. agricultural exports and market development activities are a particular focus of the commodity programs area. These analyses are distributed on a timely basis to the U.S. agricultural community through FAS circular publications, participation in trade and business conferences and meetings, and U.S. trade organizations.
  - b. Providing U.S. Government policymakers adequate information with which to make decisions regarding U.S. and international agricultural interests. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential guidance on a country and area basis. These data are utilized as key input in the decisionmaking process regarding domestic farm policies, foreign trade negotiations and agreements, and market development programs.
  - c. Fulfilling U.S. legislative requirements:
    - (1) Day-to-day administration of the Meat Import Law (P.L. 96-177) in cooperation with the U.S. Customs Service and such other special actions as are necessary.
    - (2) Import licensing for certain dairy products subject to quotas proclaimed under Authority of Section 22 of the Agricultural Adjustment Act of 1935 and administration of certain aspects of non-licensed dairy quotas.
    - (3) Administration of quota cheese pricing limitations prescribed in Section 702 of the Trade Agreements Act of 1979 (P.L. 96-39).



- (4) Analysis and evaluation of the role of sugar in world trade patterns.
- (5) Administration of the Targeted Export Assistance Program prescribed in Section 1124 of the Food Security Act of 1985 (P.L. 99-198.)
- (6) Administration of the Export Enhancement Program.
- d. Providing support and services to an export expansion effort conducted in cooperation with commodity associations, State Departments of Agriculture and private exporters to the benefit of the U.S. agricultural sector. Special studies are made on a country, region, and world basis for assigned commodities to identify market opportunities, to determine the likely impact of competition from other countries, and to strategically plan promotional activities to enhance U.S. agricultural exports. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities supported by commodity programs.

The information contained in these analyses is collected via a comprehensive agricultural attache reporting system, analyzed in a timely manner, and promptly reported to domestic producers, exporters, policymakers, the public and other interested users. Particular emphasis is placed on disseminating current information on foreign market situations and forecasting trends in foreign agricultural supply and demand.

Special studies are made on a country, area, foreign and world basis for assigned commodities to identify market opportunities, and determine the likely impact of competition from other commodities and countries on U.S. exports. Also, economic analyses are made covering weekly reports submitted by exporters showing their shipments to date and outstanding sales.

3. International Trade Policy - This program area conducts activities contributing to the following major objectives:
  - a. Supporting bilateral representations focused on reducing trade barriers to U.S. agricultural exports and preserving concessions obtained in trade negotiations.
  - b. Initiating and supporting work activities on trade and commodity issues that arise in international fora such as GATT, OECD, UNCTAD and FAO so as to facilitate U.S. agricultural exports.
  - c. Administering U.S. agricultural import policies under Section 22 and other domestic legislation in ways which will, consistent with the purposes and requirements of the statutes, minimize the effects of U.S. import restrictions upon FAS efforts to expand U.S. agricultural exports.
  - d. Participating in development of new U.S. legislation to facilitate U.S. exports or defend U.S. producers against unfair trade practices and harmful competition.
  - e. Conducting analysis of the forces affecting trade in individual country markets and making such data available to interested U.S. exporters.
  - f. Providing support to the United States Trade Representative (USTR) in conducting and implementing results of trade negotiations and in managing domestic complaint mechanisms.
  - g. Maintaining a Technical Office to help protect U.S. rights under the Standards Code, providing information on Code benefits, and helping citizens to comment on foreign proposals for new standards-related laws.

FOREIGN MARKET DEVELOPMENT - Provides funding so that industry groups working in concert with FAS, or FAS working alone, may conduct market development activities. The major objectives and applicable achievements are as follows:

1. Enabling U.S. producers and other sectors of the U.S. economy to jointly and systematically develop and expand overseas markets. In 1954, the Foreign Agricultural Service (FAS) was authorized to begin using foreign currencies generated by the Public Law 480 programs to finance overseas market promotion activities for U.S. farm commodities. Since that time, FAS has spent about \$443 million to finance the foreign market development program, which has significantly contributed to the increase in U.S. farm exports from \$3.1 billion in fiscal year 1955 to an estimated \$28 billion in 1987. The program is jointly sponsored with nonprofit private trade and producer associations in this country (U.S. cooperators) who have generated an estimated \$842 million in contributions to more than match the \$443 million contributed by FAS.

Under the auspices of FAS' long-term Foreign Market Development program FAS is currently participating with 41 cooperators, four state organizations (covering 47 states and 3 territories) and the National Association of State Departments of Agriculture in sponsoring continuous and long-term projects, 17 private industry firms on a contractual basis to promote brand name food items under the Export Incentive Program, which was instituted in FY 1986. FAS also assists supporting 60 permanently staffed cooperator offices overseas which conduct promotion activities in more than 130 foreign markets.

2. Conducting trade fairs and food exhibits to enhance the image of U.S. food products overseas by using product displays, point-of-purchase activities to draw consumer attention to quality U.S. food products, sales teams, and providing other assistance designed to link potential buyers with U.S. exporters.
3. FAS has established Agricultural Trade Offices in the major markets of South America, Europe, Africa, Asia and the Middle East, to help U.S. exporters compete by supplying up-to-the-minute information on potential customers and promotional opportunities. U.S. exporters or representatives of trade associations, export cooperatives or state departments of agriculture use these trade offices as home bases while overseas. There are currently fifteen Agricultural Trade Offices located in London, England; Hamburg, West Germany; Singapore; Seoul, Korea; Manama, Bahrain; Caracas, Venezuela; Lagos, Nigeria; Beijing and Guangzhou, the People's; Republic of China; Tunis, Tunisia; Jeddah, Saudi Arabia; Algiers, Algeria; Baghdad, Iraq; Istanbul, Turkey; and Tokyo, Japan.

#### REVIEWS COMMENCED DURING FY 1987

##### GAO Reviews

Code 483445	Review of Tobacco Cooperator activities	Review of selected aspects of Foreign Market Development Program
Code 097727	Survey of Increased U.S. Agricultural Imports and Trade Policy Options	Survey of trade policy alternatives
Code 483441	Review of Agricultural Issues and Multilateral Trade Negotiations	Monitoring of multilateral trade issues
Code 097726	U.S. Agricultural Exports: Factors Affecting Competitiveness in World Markets	Overview of trade issues



Code 483450	Review of Alternative Grain Trading Practices	Review of options and alternatives for marketing grain
Code 483457	Review of Livestock Cooperator Foreign Market Development Activities	Review of selected aspects of Foreign Market Development Program
Code 483453	Review of the TEA Program	Review of USDA administration of TEA program
Code 483417	Alternative Trading Practices for International Grain Trade	Review of possible trading alternatives
Code 483462	Synopsis of Recent GAO Reports on Trade Issues	Compendium of GAO activities involving international trade
Code 097735	Survey of Imported Sugar-Containing Products	Develop estimates of amount of sugar imported in products
Code 097716	Agriculture Competitiveness: An Overview of the Challenge to Enhance Exports	Review of factors affecting trade
Code 097737	Overview of State Agricultural Marketing Initiatives	Review of state activities involved in market development
Code 472132	Survey of U.S. Trade Barriers Affecting African Exports	Survey of information sources and available trade data
Code 097720	Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling	Review of country of origin labeling requirements
Code 082156	Examination of U.S. and International Satellite Data Archiving Plans and Activities	Review of satellite data received by government agencies
Code 483466	Review of U.S.-Japan MOSS Trade Talks	Review of U.S. Government trade negotiations
Code 472133	Review of CBI Effectiveness	Review of USDA inspection of CBI imports
Code 015052	General Management Review of Federal Human Resources Management	USG overview

#### OIG Reviews

7099-14-Hy	Market Development: Targeted Export Assistance Program	Review of FAS administration of Targeted Export Assistance Program
Te-799-2	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Ch-723-1	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Hq-173-1	False Labeling	Investigation

REVIEWS COMPLETED DURING FY 1987GAO Reviews

Code 097726	U.S. Agricultural Exports: Factors Affecting Competitiveness in World Markets	Final Report GAO/RCED-87-35BR issued 10/9/86
Code 097713	Seafood Marketing: Opportunities to Improve U.S. Position	Final Report GAO/RCED-87-11BR issued 10/22/86
Code 483420	Review of FAS Export Promotion and Foreign Market Development Programs	Final Report GAO/RCED-87-89 issued 3/17/87
Code 483417	Alternative Trading Practices for International Grain Trade	Final Report GAO/NSIAD-87-90BR issued 3/17/87
Code 483462	Synopsis of Recent GAO Reports on Trade Issues	Final Report GAO/NSIAD-87-103BR issued 3/17/87
Code 097716	Agriculture Competitiveness: An Overview of the Challenge to Enhance Exports	Final Report GAO/RCED-87-100 issued May 1987

OIG Reports

07099-10-Hy	Survey of Foreign Market Development Program	Survey of FAS program administration
07099-8-Hy	Infestation of Commodities - Dominican Republic	Review of efforts to control insect infestation
50665-1-FM	Survey of USDA Computer Software Contracting	Survey of procurement practices
3099-37-Hy	Survey of Prevailing World Market Prices for Rice	Final Report issued 6/27/87
9110	A Study of USDA's Handling and Use of Foreign Buyer Complaints on U.S. Grain Exports, and Related Issues	Draft Report issued 6/5/86
Hq-173-1	False Labeling	Investigation report issued 8/20/87
Te-799-2	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
AT-799-3	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Te-799-4	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Te-799-5	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Te-799-6	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Wa-799-2	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet
Te-799-1	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease of \$3,160,000 for Foreign Market Development (\$52,500,000 available in fiscal year 1988) consisting of:

- (a) a decrease of \$2,960,000 for Foreign Market Development.

Need for Change. The need to reduce Government spending in order to reduce the Federal deficit, requires a reduction in the level of FAS contributions to this program below the amount made available in FY 1988 but in line with historical contribution levels.

Nature of Change. The Foreign Market Development Cooperator Program will be financed at historical contribution levels.

- (b) A decrease of \$200,000 for Agricultural Aid and Trade Missions.

Need for Change. The Agricultural Aid and Trade Missions Act, as established in Section 157 of PL 100-202, requires missions to sixteen countries during calendar 1988. As it is anticipated that these missions will be accomplished during fiscal year 1988, no funding is required in fiscal year 1989.

Nature of Change. The Aid and Trade Missions will be conducted during fiscal year 1988 in accordance with the provisions of the Agricultural Aid and Trade Missions Act.

Foreign Agricultural Service  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia...	\$30,135,013	427	\$35,760,000	441	\$31,538,000	441
Overseas .....	53,023,904	268	56,457,000	268	57,519,000	268
Total, Available or Estimate .....	83,158,917	695	92,217,000	709	89,057,000	709
	=====					



PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates propose the purchase of 1 additional and 9 replacement passenger motor vehicles.

The passenger motor vehicles and light trucks of the service are used exclusively by the Agricultural Officers at overseas posts. The officer travels extensively throughout the countries assigned, gathering agricultural data. Embassy motor pool vehicles are used when there are sufficient numbers to meet the needs of the entire embassy. At many posts, however, the motor pools are not large enough which necessitates this request.

Additional Passenger Motor Vehicle. One additional passenger motor vehicle will replace a light truck-type vehicle which will no longer be required due to high operating costs and improved road conditions.

Replacement of Passenger Motor Vehicles. Replacement of nine passenger motor vehicles is proposed. All vehicles proposed for replacement will meet the replacement standards.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1987 is as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Mileage Data</u>		
	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1979-8	1	3.0	80-100	1	3.0
1980-7	1	3.0	60-80	0	0.0
1981-6	2	6.1	40-60	5	15.2
1982-5	5	15.2	20-40	12	36.3
1983-4	1	3.0	UNDER 20	15	45.5
1984-3	7	21.2	TOTAL	33	100.0
1985-2	7	21.2			
1986-1	6	18.2			
1987	3	9.1			
TOTAL	33	100.0			





## PUBLIC LAW 480

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is used to reduce future appropriation requests.

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended:

1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms; for convertible foreign currency for use under Sec. 108 of the Act; and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III) (7 U.S.C. 1701-1715, 1727-1727f). Title I of the legislation authorizes financing of sales for convertible foreign currencies and for dollars on credit terms, including commodities exported under Title III Food for Development Programs. Sales for dollars or convertible foreign currencies may be made with foreign governments. The legislation provides for credit terms that are as favorable to the United States as the economy of the foreign country will permit, but not less than the terms for development loans made under sections 122(a) and 122(b) of the Foreign Assistance Act of 1961, as amended.

Title I sales may also be financed for foreign currencies to be loaned to financial intermediaries in the recipient countries. These funds would be reloaned to promote private enterprise institutions. Loans repaid by the financial intermediaries may be reloaned for private enterprise investment, used to develop new markets, pay U.S. obligations, or be converted to U.S. dollars.

Title I appropriated funds may also be used under the Food for Progress Act to furnish commodities on credit terms or on a grant basis to assist countries that have a commitment to introduce and expand free enterprise elements in their agricultural economies.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1726). Commodities are supplied without cost to developing countries to combat malnutrition, and to meet famine and other emergency requirements. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations. Each year, up to \$7.5 million of foreign currencies accruing under Title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

Available Funds, 1987 Actual and Estimated 1988 and 1989

Item	1987 Actual	1988 Estimated	1989 Estimated
Foreign Assistance Programs (P.L. 480):			
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III).....	\$876,171,411	\$852,000,000	\$812,000,000
Commodities supplied in connection with dispositions abroad (Title II).....	473,329,470	630,000,000	595,000,000
Total program costs funded.....	1,349,500,881	1,482,000,000	1,407,000,000
Costs financed from receipts, prior year balances and CCC funds (net).	-266,429,881	-422,404,000	-383,800,000
Total appropriation (P.L. 480).....	1,083,071,000	1,059,596,000	1,023,200,000

NOTE: The fiscal year 1987 appropriation was adjusted to reflect net transfers of \$76.0 million in both program level and appropriation from Title II to Titles I and III, under the authority of the proviso in the 1987 Continuing Resolution.

Obligations incurred in a fiscal year under Public Law 480 consist of Title I sales registrations (based on anticipated export date by September 30) and Title II commodity purchases for which a notice to deliver has been issued for port delivery by September 30, and related transportation and other costs. In order to obtain the amount of costs financed by CCC in the fiscal year, these obligations, which are equivalent to the program level limitation in the appropriation language, are adjusted to include prior year obligations financed in the current fiscal year, and to exclude current year obligations that will not be financed until the following fiscal year. By law, P.L. 480 funds remain available until expended, unless otherwise provided.

The following table reconciles the program level to program costs financed by CCC:

Reconciliation of Program Level to Program Costs Funded by CCC

Item	1987 Actual	1988 Estimated	1989 Estimated
<u>Titles I/III</u>			
Gross commodity costs.....	\$784,622,782	\$788,000,000	\$749,700,000
Ocean transportation.....	12,757,246	---	---
Ocean freight differential.....	99,000,983	79,800,000	77,300,000
Subtotal.....	896,381,011	867,800,000	827,000,000
Initial payments to exporters.....	-19,779,068	-15,800,000	-15,000,000
Total program level, current year	876,601,943	852,000,000	812,000,000
Prior year obligations financed.....	210,541,661	210,972,193	210,972,193
Obligations financed in succeeding year.....	-210,972,193	-210,972,193	-210,972,193
Total program costs, funded.....	876,171,411	852,000,000	812,000,000
<u>Title II</u>			
Commodity costs.....	\$372,100,470	384,043,000	369,556,000
Ocean and inland transportation.....	180,200,000	245,957,000	225,444,000
Total program level, current year.....	552,300,470	630,000,000	595,000,000
Prior year obligations financed.....	367,358,000	446,329,000	446,329,000
Obligations financed in succeeding year.....	-446,329,000	-446,329,000	-446,329,000
Total program costs, funded...	473,329,470	630,000,000	595,000,000

## PUBLIC LAW 480

These estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Public Law 480

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691, 1701-1715, 1721-1726, 1727-1727f, 1731-1736g), as follows: (1) financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms pursuant to titles I and III of said Act, or for convertible foreign currency for use under 7 U.S.C. 1708, and for furnishing commodities to carry out the Food for Progress Act of 1985, not more than [~~\$852,000,000~~] \$812,000,000; of which [~~\$429,596,000~~] \$428,200,000 is hereby appropriated and the balance derived from proceeds from sales of foreign currencies and dollar loan repayments, repayments on long-term credit sales, carryover balances and commodities made available from the inventories of the Commodity Credit Corporation by the Secretary of Agriculture pursuant to sections 102 and 403(b) of said Act, and (2) commodities supplied in connection with dispositions abroad, pursuant to title II of said Act, not more than [~~\$630,000,000~~] \$595,000,000, of which [~~\$630,000,000~~] \$595,000,000 is hereby appropriated: Provided, That not to exceed [~~10~~] 15 per centum of the funds made available to carry out any title of this paragraph may be used to carry out any other title of this paragraph.

The change in language would retain the percentage of funds which may be transferred between titles at 15 percent to permit more flexibility in responding to the needs of importing countries. The 15 percent transfer provision, which was authorized for fiscal year 1987, is consistent with the authorization for this program.

PUBLIC LAW 480

	(Titles I and III) Financing the Sale of Agricultural Commodities for Convertible For- eign Currencies and for Dollars on Credit Terms, and Furnishing Commodities for Food for Progress	(Title II) Commodities Supplied in Connection with Disposi- tions Abroad	Total
Appropriation Act, 1988....	\$429,596,000	\$630,000,000	\$1,059,596,000
Budget Estimate, 1989.....	<u>428,200,000</u>	<u>595,000,000</u>	<u>1,023,200,000</u>
Decrease in Appropriation..	<u>-1,396,000</u>	<u>-35,000,000</u>	<u>-36,396,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$429,596,000	-\$1,396,000	\$428,200,000
Commodities supplied in connection with dispositions abroad (Title II)..	<u>630,000,000</u>	<u>-35,000,000</u>	<u>595,000,000</u>
TOTAL AVAILABLE.....	<u>1,059,596,000</u>	<u>-36,396,000</u>	<u>1,023,200,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$530,727,000	\$429,596,000	(1) -\$1,396,000	\$428,200,000
2. Commodities supplied in connection with dispositions abroad (Title II).	552,344,000	630,000,000	(2) -35,000,000	595,000,000
Total appropriation.....	<u>1,083,071,000</u>	<u>1,059,596,000</u>	<u>-36,396,000</u>	<u>1,023,200,000</u>



PROJECT STATEMENT  
(On basis of available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
1. Financing the sale of agricultural commodities for foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$876,171,411	\$852,000,000	-\$40,000,000	\$812,000,000
2. Commodities supplied in connection with dispositions abroad (Title II).	473,329,470	630,000,000	-35,000,000	595,000,000
Total program costs funded..	1,349,500,881	1,482,000,000	-75,000,000	1,407,000,000
Adjustments to appropriation:				
Title I:				
Receipts from sale of foreign currencies and loan repayments and repayments on long-term credit sales to finance the program....	-379,562,880	-321,000,000	-11,000,000	-332,000,000
Unexpended balances (includes balances in the Corporation):				
Funds brought forward	-344,013,731	-364,209,095	+101,404,000	-262,805,095
Funds carried forward	364,209,095	262,805,095	-51,800,000	211,005,095
Funds transferred for reimbursement of Food Security Wheat Reserve.....	13,923,105 a/	---	---	---
Title II:				
Funds brought forward....	-366,794,728	-414,732,363	---	-414,732,363
Funds carried forward....	414,732,363	414,732,363	---	414,732,363
Funds transferred for reimbursement of Food Security Wheat Reserve	31,076,895 a/	---	---	---
Total appropriation.....	1,083,071,000	1,059,596,000	-36,396,000	1,023,200,000

a/ Includes a transfer of \$45.0 million for reimbursement of the Food Security Wheat Reserve, which was used in fiscal year 1985 for African famine relief.

The preceding project statement reflects estimated program costs on the basis of available funds, including 1986 obligations financed in fiscal year 1987 from available unexpended 1986 balances and 1987 funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities, and similar factors.



The amounts provided in the appropriation for Title II are not fully controlling since the basic law permits the Government to enter into multiyear programs of assistance involving expenditures which must be financed from subsequent appropriations. However, such programs may not exceed the program level authorized in appropriation acts, adjusted for transfers to or from Titles I/III, within amounts specified by the Proviso in the appropriation language. On the other hand, if funds appropriated are in excess of amounts actually used in an actual year, adjusted for any applicable transfers, such amounts are applied against current year estimated costs and reduce the subsequent appropriations requested for the budget year.

## EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of available agricultural commodities are made to developing countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for agreements to finance sales and programs of assistance under Public Law 480 was extended through December 31, 1990, by Public Law 99-198, enacted December 23, 1985. No agreements to finance sales under Titles I and III or donations under Title II shall be made with North Vietnam unless by an act of Congress authorizing such assistance, enacted after July 1, 1973.

## TITLE I

The P.L. 480 appropriation is deposited with the Commodity Credit Corporation. The Corporation then finances all sales made pursuant to agreements concluded under Title I. Sales are made to friendly countries--as defined in section 103(b) of the Act--and do not displace expected commercial sales for cash dollars (sections 103(c) and (n)). No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale will be used for specific projects or programs which the President determines would directly benefit the needy people of that country.

Agreements may not be made under Title I (including credit furnished for Food for Development Programs) in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorization.

In considering sales negotiations, countries which are unable to produce or purchase commercially adequate food for immediate needs, and which meet the poverty criterion established for International Development Association financing are to receive not less than 75 percent of the food aid commodities allocated and agreed to be delivered in each fiscal year unless the President certifies that such food assistance to other countries is required for humanitarian purposes or the required 75 percent allocation could not be used effectively.

Agreements for sales of agricultural commodities for foreign or local currencies had not been authorized since December 31, 1971, until enactment of the Food Security Act of 1985. In cases where dollar credit sales are not possible, convertible foreign currency credit sales are authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, support U.S. foreign policy interests, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations.

Repayments for agricultural commodities sold under Title I may be made, with interest at the minimum rates set by law, either in U.S. dollars on credit terms up to 20 years, with a grace period of up to two years; or in foreign currencies convertible to dollars for up to 40 years, with a grace period of up to ten years. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Under certain conditions, the President is authorized to require payment upon delivery, in dollars or foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Whenever practicable, terms of agreements must require payment at time of delivery of not less than 5 percent of the purchase price in dollars or in currencies convertible to dollars. These initial payments are made to exporters and reduce the commodity costs financed.

Sales agreements may now also be made for local currencies which are to be loaned to financial intermediaries in the recipient countries. Under such agreements, the financial intermediaries reloan the currencies to promote private enterprise investment. Currency repaid by a financial intermediary may be reloaned to finance additional private enterprise investment, used to develop new markets for U.S. agricultural commodities, used to pay U.S. obligations, or converted to dollars. Sales agreements for currency loans shall be made at an annual level of not less than ten percent of the total value of all sales made under this title, unless the minimum compliance would significantly reduce the total level of commodities furnished, or if such sales agreements would generate currency in amounts that could not be productively used and absorbed in the country's private sector.

Under the Food for Progress Act of 1985, the Corporation may finance the sale and exportation of agricultural commodities on credit terms, or on a grant basis, to support countries that have commitments to introduce or expand free enterprise elements in their agricultural economies. All commodities furnished are subject to the commodity availability criteria. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as are specified for commodities supplied under Title II. Agreements were signed with Madagascar and Guinea in fiscal year 1986. No new agreements, however, were signed in fiscal year 1987.

For most sales agreements under Title I, the Corporation will pay ocean freight charges only to the extent of the differential between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Cargo Preference Act. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S. food aid will reach the most needy recipients. On agreements made under Title III Food for Development, the Corporation may finance freight from U.S. ports to ports of entry or to designated points of entry abroad in the case of landlocked countries.

### TITLE III

The estimates for Title I include estimated costs of financing Food for Development Programs under Title III. Commodities may be furnished for periods from one to five years following a Presidential determination of country eligibility and formulation of approved development projects or activities. Unless a Presidential waiver with an accompanying explanation of such action is reported to Congress, agreements entered into under Title III for fiscal year 1986 and succeeding fiscal years shall have an aggregate value of not less than 10 percent of the aggregate value of all agreements entered into under Title I for the corresponding fiscal year.

Proceeds from the sale of Title III commodities are to be disbursed for such purposes as approved in the agreement with each country and the disbursements shall be considered as payments for the purposes of sec. 103(b) of this Act. When commodities are used in development projects, the dollar sales value of such commodities shall be deemed to be a disbursement at the time of use. No other payment shall be required as part of any agreement to finance the sale of agricultural commodities under a Food for Development Program. Construction of food grain storage facilities, expansion of private bank credit in rural areas and strengthening agricultural producer associations are among the projects undertaken with the Title III proceeds.

For the fiscal years 1979 through 1986, the total value of Title III agreements signed with Bangladesh, Bolivia, Egypt, Honduras, Senegal, and Sudan was approximately \$974.3 million. In fiscal 1987 new agreements or amendments to existing multi-year agreements with an export value of \$97.0 million were signed with Bangladesh, Bolivia, and Haiti.

In fiscal year 1987, the first year of the new multi-year agreement, Bangladesh implemented several major reforms including moderating consumer prices for grain through sales of government stocks, shrinking the scope of the food rationing system and increasing farmers' incentives to produce food grains. The \$82 million in fiscal year 1987 assistance included 336,000 metric tons of wheat, 150,000 metric tons of rice, 26,000 metric tons of vegetable oil products and 32,000 bales of upland cotton.

Programs with Bolivia and Haiti were amended to on-going Title III Food for Development Programs in fiscal year 1987. Both of these programs are expected to continue in fiscal year 1988. In fiscal year 1987 Haiti's amendment provided for \$10 million in agricultural commodities; Bolivia received \$20 million in programming for the same period. During fiscal years 1988 and 1989, it is expected that a similar number of Title III agreements or amendments will be authorized.

## TITLE II

Under Title II, as amended, commodities are supplied to developing areas to combat malnutrition, to meet famine or other urgent relief requirements, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States' commitment to the World Food Program. Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation.

The authorizing legislation requires that a minimum of 1.9 million metric tons (grain equivalent basis) of agricultural commodities be programmed each fiscal year from 1987 through 1990 under Title II. Of that amount, 1.425 million metric tons (grain equivalent basis) are to be distributed for nonemergency programs through voluntary agencies and the World Food Program, unless the President determines and reports to the Congress that such an amount cannot be used effectively or that the quantity is not available.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.



The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time. The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. To the extent feasible, distribution priority is to be given to those suffering from malnutrition.

Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Beginning in 1986, programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of \$1 billion plus the unused prior year's authorization.

Under the authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494), up to 300,000 metric tons of wheat may be released from the reserve in any fiscal year for use under Title II to provide urgent humanitarian relief in any country which the President determines has suffered a major disaster, and when normal procurement methods will not provide the necessary assistance in a timely manner. Wheat released may be processed into flour or bulgur before export. Reimbursement to the Corporation for wheat released is to be made from available funds at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary at the time of release. In fiscal year 1985, the President released 300,000 metric tons of wheat, and commodity requests were processed to provide emergency food assistance to three African nations. The 300,000 metric tons of wheat used was replenished using existing CCC inventory. In addition, during fiscal year 1987 CCC was reimbursed \$45.0 million by utilizing unobligated Title I and Title II funds. The reimbursement was based on the export price of wheat.

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$1,396,000 for financing the sale of agricultural commodities for convertible foreign currencies, for dollars on credit terms, and furnishing commodities under the Food for Progress Act of 1985 (Titles I and III).

ITEM	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Program:				
Expenses of shipments:				
Commodity Costs:				
Foreign currency.....	\$22,286,766	\$40,400,000	+\$1,300,000	\$41,700,000
Long-term credit.....	730,908,654	731,800,000	-38,800,000	693,000,000
Total Commodity costs	\$753,195,420	\$772,200,000	(a) -37,500,000	734,700,000
Ocean transportation (long-term credit)....	9,294,818	---	---	---
Ocean freight differen- tial (support of U.S. Merchant Marine:				
Foreign currency....	1,379,360	4,100,000	---	4,100,000
Long term credit....	112,301,813	75,700,000	-2,500,000	73,200,000
Total ocean freight differential.....	113,681,173	79,800,000	(b) -2,500,000	77,300,000
Total foreign currency..	23,666,126	44,500,000	+1,300,000	45,800,000
Total long-term credit..	852,505,285	807,500,000	-41,300,000	766,200,000
Total expenses of shipments.....	876,171,411	852,000,000	-40,000,000	812,000,000
Financing:				
Receipts from:				
Sales of foreign currency.....	-72,746,544	---	---	---
Repayments on long-term credit.....	-306,816,336	-321,000,000	-11,000,000	-332,000,000
Subtotal.....	-379,562,880	-321,000,000	-11,000,000	-332,000,000
1986 funds used for 1987 costs.....	-344,013,731	---	---	---
1987 funds used for 1988 costs.....	364,209,095	-364,209,095	+364,209,095	---
1988 funds used for 1989 costs.....	---	262,805,095	-525,610,190	-262,805,095
1989 funds used for 1990 costs.....	---	---	+211,005,095	211,005,095
Funds transferred for reimbursement of Food Security Wheat Reserve...	13,923,105	---	---	---
Net financing.....	-345,444,411	-422,404,000	(c) +38,604,000	-383,800,000
Total available or estimate.....	530,727,000	429,596,000	-1,396,000	428,200,000

- (a) A decrease of \$37,500,000 in commodity costs (\$772,200,000 available in 1988). Major changes from 1988 estimates in volume of shipments, in unit prices, and projected commodity costs are as follows:



	Change in Estimated Shipments (in thousands)	Change in Cost of Shipments
<u>Increases:</u>		
Corn (bu).....	+8,208	+\$16,900
Rice (cwt).....	+1,970	+27,700
Initial payments.....	xx	+800
Total increases.....	<u>xx</u>	<u>+45,400</u>
<u>Decreases:</u>		
Wheat and products (bu. eq.).....	-10,586	-27,200
Vegetable oil products (pound).....	-126,278	-25,400
Upland cotton (bale).....	-4	-1,500
Tallow (pound).....	-12,677	-1,700
Unallocated reserve (metric tons).....	-195	-27,100
Total decreases.....	<u>xx</u>	<u>-82,900</u>
Net decrease.....	<u>xx</u>	<u>-37,500</u>

- (b) A decrease of \$2,500,000 in ocean transportation financing and ocean freight differential (\$79,800,000 available in 1988). This reflects an overall lower metric tonnage resulting from the commodity changes shown above.
- (c) An increase of \$38,604,000 in net financing due to the application of prior year funds and receipts to program costs (\$422,404,000 available in 1988). This increase reflects the greater availability of funds in fiscal year 1988 versus fiscal year 1989 to reduce net financing costs for Title I. In fiscal year 1988, \$101.4 million of unobligated fiscal year 1986 funds were available to reduce the fiscal year 1988 appropriation request for Title I, as compared to \$51.8 million of unobligated fiscal year 1987 funds available to reduce the fiscal year 1989 appropriation request. The difference of \$49.6 million represents an increase in net financing costs. Higher projected long term credit repayments in fiscal year 1989 partially offset the increase.

Program costs consist of the export value of commodities shipped, authorized ocean freight differential costs for shipments made in U.S.-flag vessels, and authorized ocean freight transportation.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1987, 1988, and 1989. (NOTE--Credits (-) shown for initial payments to exporters are authorized by Sec. 103(k) of Title I. These initial payments are made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Titles I and III  
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1987-1989:

Commodity	Unit of Measure	1987 Actual		1988		Estimate		1989 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:									
Corn.....	bushel	10,005,927	\$24,899,445	6,217,904	\$13,400,000	14,425,721	\$30,300,000		
Wheat and products.....	bu. eq.	142,125,322	505,001,308	137,751,789	468,700,000	127,166,258	441,500,000		
Rice, milled.....	cwt.	8,101,575	65,288,104	1,242,781	19,700,000	3,213,293	47,400,000		
Cotton, upland.....	bale	141,851	30,905,978	19,841	7,400,000	15,469	5,900,000		
Vegetable oil products.....	pound	718,818,357	114,045,557	767,943,758	155,000,000	641,566,467	129,600,000		
Tallow.....	pound	82,907,363	13,055,028	126,749,885	19,800,000	114,072,618	18,100,000		
Unallocated reserve a/.....	Met.Ton	xx	---	666,149	104,000,000	471,461	76,900,000		
Initial payment to exporters	xxx	xx	---	xx	-15,800,000	xx	-15,000,000		
Total commodity costs.....	xxx	xx	753,195,420	xx	772,200,000	xx	734,700,000		
Ocean transportation.....	Met.Ton	b/ 2,442,127	122,975,991	c/ 2,105,926	79,800,000	d/ 2,102,270	77,300,000		
Total expenses of shipment..	xxx	xx	876,171,411	xx	852,000,000	xx	812,000,000		

- a/ The unallocated reserves for fiscal years 1988 and 1989 will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of that Act.
- b/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes \$9,294,818 for ocean transportation financing.
- c/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes \$5.0 million for ocean transportation financing.
- d/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes \$4.0 million for ocean transportation financing.

The following table shows account receivable activity for amounts billed, repayments, and amounts owed by foreign governments and private trade entities for Title I long-term credit sales, including the Title III, Food for Development Program, for fiscal years 1987, 1988, and 1989:

	1987 Actual	1988 Estimated	1989 Estimated
Balance outstanding, start of year:			
Principal.....	\$10,622,254,185	\$11,219,301,492	\$11,762,388,492
Interest.....	295,539,529	340,903,238	388,024,238
Total.....	10,917,793,714	11,560,204,730	12,150,412,730
Amounts billed during year:			
Principal.....	830,596,051	779,582,000	742,165,000
Interest.....	268,114,261	282,726,000	296,412,000
Total.....	1,098,710,312	1,062,308,000	1,038,577,000
Repayments:			
Principal.....	-233,548,744	-236,495,000	-243,240,000
Interest.....	-222,750,552	-235,605,000	-247,010,000
Total.....	-456,299,296	-472,100,000	-490,250,000
Balance outstanding, end of year:			
Principal.....	11,219,301,492	11,762,388,492	12,261,313,492
Interest.....	340,903,238	388,024,238	437,426,238
Total.....	11,560,204,730	12,150,412,730	12,698,739,730

(2) A decrease of \$35,000,000 in amounts for financing commodities supplied in connection with dispositions abroad (Title II).

	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Program:				
Expenses of shipments:			(a)	
Commodity costs.....	\$282,564,870	\$384,043,000	-\$14,487,000	\$369,556,000
Ocean transportation and inland distribution costs.....	190,764,600	245,957,000	-20,513,000	225,444,000
Total expenses of shipments.....	473,329,470	630,000,000	-35,000,000	595,000,000
Purchase of foreign currencies for use in self help activities.....	---	---	---	---
Total program.....	473,329,470	630,000,000	-35,000,000	595,000,000
Financing:				
1986 funds used for 1987 costs.....	-366,794,728	---	---	---
1987 funds used for 1988 costs.....	414,732,363	-414,732,363	+414,732,363	---
1988 funds used for 1989 costs.....	---	414,732,363	-829,464,726	-414,732,363
1989 fund used for 1990 costs.....	---	---	+414,732,363	414,732,363
Funds transferred for reimbursement of Food Security Wheat Reserve.....	31,076,895	---	---	---
Net financing.....	79,014,530	---	---	---
Total available or estimate	552,344,000	630,000,000	-35,000,000	595,000,000

1/ Reflects net transfers of \$76.0 million in program level and appropriation from Title II to Titles I/III under authority provided in the FY 1987 Continuing Resolution.

(a) A decrease of \$14,487,000 in commodity costs (\$384,043,000 available in 1988).  
Changes in shipments and commodity costs are as follows:

	Change in Estimated Shipments (in thousands)	Change in Cost of Shipments
Decreases:		
Blended food products (lb.).....	-9,640	-\$2,114
Dry edible beans (cwt.).....	-57	-577*
Vegetable oil products (lb.).....	-17,780	-3,119*
Feed grains and products (metric tons).....	-6.5	-1,532
Wheat and products (bu. equiv.).....	-3,566	-8,500*
Rice, milled (cwt.).....	+54	-869
Peas, dried (lb.).....	-476	-19*
Nonfat dry milk (lb.).....	+46,000	+2,300
Lentils (lb.).....	-1,491	-57*
Total decrease.....	xx	-14,487

\*Also reflects slightly higher commodity unit prices. Other commodities estimated in both years reflect either no change or lower unit prices.

(b) A decrease of \$20,513,000 in ocean transportation and inland distribution (\$245,957,000 available in 1988). This is due to lower total metric tonnage reflecting net decreases in commodity quantities listed above.

Costs financed include payment to the Corporation for its investment in commodities made available, including acquisition costs, storage, processing and packaging, inland transportation, and handling charges. Commodities supplied from the Corporation's inventory, if acquired under a price support program, are valued at a price not greater than the export market price at the time of delivery. Costs of ocean transportation are paid from U.S. ports to designated ports of entry abroad, or designated points of entry in landlocked countries, as well as any foreign currencies purchased for use in self-help activities.

The following table shows estimated expenses of shipments of commodity for fiscal years 1987, 1988, and 1989:



## Public Law 480, Title II, Expenses of shipments, 1987-1989:

Commodity	Unit of Measure	1987 Actual		1988 Estimate		1989 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
<b>Feed grains:</b>							
Corn.....	bushel	2,811,843	\$7,796,459	3,921,000	\$9,266,000	3,856,000	\$8,917,000
Corn products.....	pound	184,770,456	13,551,087	229,763,000	17,610,000	226,079,000	16,946,000
Grain sorghum.....	bushel	1,022,618	2,430,919	2,498,000	5,652,000	2,459,000	5,439,000
Sorghum products.....	pound	50,913,106	4,588,934	57,461,000	5,114,000	53,781,000	4,921,000
Oat products.....	pound	10,894,950	1,935,188	17,713,000	2,999,000	16,797,000	2,886,000
Total feed grains.....	xxx	xx	30,302,587	xx	40,641,000	xx	39,109,000
<b>Wheat.....</b>	<b>bushel</b>	<b>14,396,286</b>	<b>43,681,147</b>	<b>25,102,000</b>	<b>85,397,000</b>	<b>22,622,000</b>	<b>79,402,000</b>
Wheat flour.....	pound	274,960,484	23,367,243	263,843,000	26,569,000	247,263,000	25,567,000
Bulgur.....	pound	463,329,394	34,977,946	452,579,000	39,835,000	420,185,000	38,332,000
Other wheat products.....	pound	---	2,482	---	---	---	---
Total wheat and products..	bu.equ.	29,010,904	102,028,818	40,992,000	151,801,000	37,426,000	143,301,000
<b>Rice, milled.....</b>	<b>cwt.</b>	<b>2,161,189</b>	<b>18,738,296</b>	<b>1,450,000</b>	<b>23,032,000</b>	<b>1,504,000</b>	<b>22,163,000</b>
Beans, dry edible.....	cwt.	354,431	6,959,591	675,000	15,303,000	618,000	14,726,000
Blended food products.....	pound	381,307,004	42,999,562	444,497,000	56,060,000	434,857,000	53,946,000
Peas, dry whole.....	pound	12,593,884	2,299,004	4,010,000	500,000	3,534,000	481,000
Raisins.....	pound	4,400,000	2,244,811	---	---	---	---
<b>Butter.....</b>	<b>pound</b>	<b>1,432,578</b>	<b>72,692</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
Butter oil.....	pound	---	-249	---	---	---	---
Cheese.....	pound	3,635,012	184,763	---	---	---	---
Milk, nonfat dry.....	pound	238,911,027	12,283,124	250,000,000	12,500,000	296,000,000	14,800,000
Total dairy products.....	pound	243,978,617	12,540,330	250,000,000	12,500,000	296,000,000	14,800,000
<b>Vegetable oil products.....</b>	<b>pound</b>	<b>270,488,404</b>	<b>64,451,871</b>	<b>263,647,000</b>	<b>82,706,000</b>	<b>245,867,000</b>	<b>79,587,000</b>
Lentils.....	pound	---	---	9,446,000	1,500,000	7,955,000	1,443,000
Total commodity costs....	xxx	xxx	282,564,870	xxx	384,043,000	xxx	369,556,000
Ocean transportation.....	met.ton	1,464,078	190,764,600	1,847,000	245,957,000	1,758,000	225,444,000
Total expenses of shipment..	xxx	xxx	473,329,470	xxx	630,000,000	xxx	595,000,000

Note: Metric tonnage shown is based on the pounds of products on which freight is actually paid, not on bushel equivalent of grain.





## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The warehouse examination function was transferred from the Agricultural Marketing Service to ASCS under Secretary's Memorandum 1020-15, effective May 13, 1984. The U.S. Warehouse Act (7 U.S.C. 241-273) is the legislative authority for this program. The Food Security Act of 1985, enacted on December 23, 1985, provided for changes to several existing programs and required the implementation of many new programs, primarily those operated through the Commodity Credit Corporation.

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, ASCS also obtains recommendations and advice in the formulation of program plans and policies. There are 50 ASC State committees, an ASC committee in Puerto Rico, and 3,054 county committees. The Washington headquarters offices and the Kansas City field offices are the principal staff offices for carrying out activities of the Commodity Credit Corporation (CCC). Such functions include accounting for loans and purchases; acquisition, management, storage, and disposition of commodities; and related transportation and accounting activities.

ASCS licenses warehouses and performs inspections of these facilities, for a fee, to reduce the risk of financial loss to depositors storing commodities at licensed facilities. Inspections are also performed on non-licensed facilities that have storage contracts with CCC for commodities owned by or pledged as collateral to CCC.

Permanent, full-time, end-of-year Federal employment for ASCS for fiscal years 1987, 1988, and 1989 is as follows:

<u>Federal Employment</u>	<u>FY 1987 (actual)</u>	<u>FY 1988 (est.)</u>	<u>FY 1989 (est.)</u>
Washington	541	573	573
Field Offices (States, Kansas City field offices, and Aerial Photography Field Office)	<u>2,148</u>	<u>2,246</u>	<u>2,159</u>
TOTAL FEDERAL	<u><u>2,689</u></u>	<u><u>2,819</u></u>	<u><u>2,732</u></u>
ASCS county office staff-years are as follows:	<u><u>17,842</u></u>	<u><u>17,808</u></u>	<u><u>16,202</u></u>

Following are the principal programs and funding related to ASCS operations:

1. Salaries and Expenses Account. The administrative expenses of Agency programs and other functions assigned to ASCS are funded by this account. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to simplify budgetary and accounting requirements and recordkeeping. Salaries and expenses for administering commodity price support, related CCC programs, warehouse examinations, conservation, and all other programs are financed by funds transferred from the CCC, by user fees, and various transfers, advances, and reimbursements. The Agricultural Appropriation Act of 1964 (P.L. 88-250) authorized the merger of all sources of administrative expense funds, including those transferred from CCC.
2. Conservation Reserve Program. The Conservation Reserve Program (CRP) was mandated by sections 1231-1244 of the Food Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities, including wheat, corn, grain sorghum, soybeans, and small grains.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on all cropland meeting the eligibility criteria of eroding at three times the soil loss tolerance or higher, or twice the soil loss tolerance with serious gully erosion. Up to 45 million acres of highly erodible land may be entered into the reserve.

The program is administered by State and local ASC committees working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, State Forestry agencies, the Cooperative Extension Service, and other appropriate agencies.

In exchange for entering land into the reserve, program participants will receive annual rental payments in cash or CCC commodities, or a combination of both, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers will receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate program implementation, use of the funds, services and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987. Beginning with the fiscal year 1988 budget, separate appropriations were requested to carry out program provisions. The services and facilities of the CCC continue to be used, with annual appropriations provided to carry out the program.

3. Agricultural Conservation Program. This program is authorized by sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act (P.L. 74-46), as amended and supplemented; sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970 (P.L. 91-524), as added by the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86); and the Energy Security Act of 1980 (P.L. 96-294). The program's primary objective is to conserve the nation's agricultural soil and water resources in order to ensure a continuing adequate supply of food and fiber while enhancing the environment. The ACP focuses on the highest priority resource problems and the areas of the country most acutely affected by these problems.

Through the ACP farmers and landowners receive assistance of up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. A variable cost-share level is also used by counties on a voluntary basis to encourage more conservation on the land for the same or less cost, by relating cost-share levels to the severity of the erosion and the amount of soil savings obtained.

The program is developed jointly by ASC committees, the Soil Conservation Service, the Forest Service, and in most instances, the soil and water conservation districts and State conservation commissions. Program development is done in consultation with National, State, and county ACP conservation review groups, the Cooperative Extension Service, the Farmers Home Administration, and representatives of local agencies and nongovernmental organizations. The Soil Conservation Service, Forest Service, and State forestry agencies provide technical program guidance to ASC committees as well as technical aid to farmers in carrying out conservation practices. The ACP is administered by ASC State, county, and community farmer-elected committees, working under the general direction of ASCS.

4. Colorado River Basin Salinity Control Program. This program is authorized by Section 202(c) of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592(c)). The purpose of the program is to reduce salinity in the Colorado River and to improve water quality delivered to downstream users in the U.S. and Mexico by identifying salt source areas, developing plans, and implementing salinity control measures. Measures include improvement of on-farm irrigation water management, related laterals, and erosion management practices. The Federal Government provides financial and technical assistance to landowners to plan, install, and maintain needed soil and water conservation practices, including replacement of incidental fish and wildlife values; conducts research, demonstration, and education activities; and monitors and evaluates program effectiveness. The program provides for a 70-percent Federal cost-share rate with reimbursement of 30 percent of ASCS cost-share funds by the States (to be billed by USDI and paid by the States to Treasury), for an effective Federal cost-share level of 49 percent. The program is carried out in the seven Colorado River Basin States, and initially in Colorado and Utah.
5. Forestry Incentives Program. This program is authorized by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). Its objectives are to increase the Nation's production of sawtimber and pulpwood on nonindustrial, private forest lands; to decrease, over time, expected shortages and rising prices of timber; and to help ensure effective use of available forest lands. Program objectives are met by providing cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.
6. Water Bank Program. This program is authorized by the Water Bank Act (P.L. 91-559), enacted December 1970, as amended by P.L. 96-182, enacted January 1980. Its objectives are to conserve surface water; preserve and improve migratory waterfowl and wildlife-related resources; reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; reduce the acreage of land brought into agricultural production; retire land now in production; enhance landscape aesthetics; and promote comprehensive water management planning. Agreements are entered into with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas for the conservation of specified wetlands.



The agreements are for 10-year periods with provision for renewal for additional periods. Rates are established by the ASC State committee based on prevailing local land values. Payment rates may be adjusted at the beginning of the fifth year of the agreements to reflect current land values.

7. Emergency Conservation Program. This program is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). Its objective is to restore to normal agricultural use farmlands damaged by wind erosion, hurricane, flood, or other natural disaster and designated as eligible for assistance by ASC county committees. Also included under the program are water conservation and water enhancement practices during periods of severe drought as determined by the ASCS Deputy Administrator for State and County Operations. Up to 64 percent of the cost of carrying out approved practices under this program is shared with farmers.
8. Rural Clean Water Program. This experimental program is authorized by the Agricultural Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528). The program is a cooperative endeavor among farmers, various USDA agencies, and EPA to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. Improved water quality is achieved, in keeping with water quality goals and standards, in a cost effective manner. The program provides 3- to 10-year financial and technical assistance for the installation and maintenance of practices to control water pollution on agricultural lands in selected project areas. Treatment measures for each farm are based on an approved water quality plan. The effectiveness of these practices in reducing pollutants is evaluated.
9. Dairy Indemnity Program. This program was established by section 3 of P.L. 90-484, "An Act to provide indemnity payments to dairy farmers." This law carried out the intent of P.L. 88-452, Economic Opportunity Act of 1964, which originally authorized indemnity payments. The program was extended through September 30, 1990, by section 152 of the Food Security Act of 1985. Under this program, indemnity payments are made to farmers and manufacturers who are directed to remove their milk or milk products from commercial markets because of (1) residues of chemicals that have been registered and approved by the Federal Government, (2) residues of other chemicals and toxic substances, or (3) nuclear fallout. The authority also provides indemnity payments on cows producing such milk.
10. Commodity Credit Corporation Program Activities. Various commodity price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the CCC programs. The Administrator of ASCS is ex-officio Executive Vice President of the Corporation. Additional information on the commodity price support and related activities of the Commodity Credit Corporation is found elsewhere in these Explanatory Notes.

Through the ACP farmers and landowners receive assistance of up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. A variable cost-share level is also used by counties on a voluntary basis to encourage more conservation on the land for the same or less cost, by relating cost-share levels to the severity of the erosion and the amount of soil savings obtained.

The program is developed jointly by ASC committees, the Soil Conservation Service, the Forest Service, and in most instances, the soil and water conservation districts and State conservation commissions. Program development is done in consultation with National, State, and county ACP conservation review groups, the Cooperative Extension Service, the Farmers Home Administration, and representatives of local agencies and nongovernmental organizations. The Soil Conservation Service, Forest Service, and State forestry agencies provide technical program guidance to ASC committees as well as technical aid to farmers in carrying out conservation practices. The ACP is administered by ASC State, county, and community farmer-elected committees, working under the general direction of ASCS.

4. Colorado River Basin Salinity Control Program. This program is authorized by Section 202(c) of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592(c)). The purpose of the program is to reduce salinity in the Colorado River and to improve water quality delivered to downstream users in the U.S. and Mexico by identifying salt source areas, developing plans, and implementing salinity control measures. Measures include improvement of on-farm irrigation water management, related laterals, and erosion management practices. The Federal Government provides financial and technical assistance to landowners to plan, install, and maintain needed soil and water conservation practices, including replacement of incidental fish and wildlife values; conducts research, demonstration, and education activities; and monitors and evaluates program effectiveness. The program provides for a 70-percent Federal cost-share rate with reimbursement of 30 percent of ASCS cost-share funds by the States (to be billed by USDI and paid by the States to Treasury), for an effective Federal cost-share level of 49 percent. The program is carried out in the seven Colorado River Basin States, and initially in Colorado and Utah.
5. Forestry Incentives Program. This program is authorized by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). Its objectives are to increase the Nation's production of sawtimber and pulpwood on nonindustrial, private forest lands; to decrease, over time, expected shortages and rising prices of timber; and to help ensure effective use of available forest lands. Program objectives are met by providing cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.
6. Water Bank Program. This program is authorized by the Water Bank Act (P.L. 91-559), enacted December 1970, as amended by P.L. 96-182, enacted January 1980. Its objectives are to conserve surface water; preserve and improve migratory waterfowl and wildlife-related resources; reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; reduce the acreage of land brought into agricultural production; retire land now in production; enhance landscape aesthetics; and promote comprehensive water management planning. Agreements are entered into with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas for the conservation of specified wetlands.

The agreements are for 10-year periods with provision for renewal for additional periods. Rates are established by the ASC State committee based on prevailing local land values. Payment rates may be adjusted at the beginning of the fifth year of the agreements to reflect current land values.

7. Emergency Conservation Program. This program is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). Its objective is to restore to normal agricultural use farmlands damaged by wind erosion, hurricane, flood, or other natural disaster and designated as eligible for assistance by ASC county committees. Also included under the program are water conservation and water enhancement practices during periods of severe drought as determined by the ASCS Deputy Administrator for State and County Operations. Up to 64 percent of the cost of carrying out approved practices under this program is shared with farmers.
8. Rural Clean Water Program. This experimental program is authorized by the Agricultural Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528). The program is a cooperative endeavor among farmers, various USDA agencies, and EPA to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. Improved water quality is achieved, in keeping with water quality goals and standards, in a cost effective manner. The program provides 3- to 10-year financial and technical assistance for the installation and maintenance of practices to control water pollution on agricultural lands in selected project areas. Treatment measures for each farm are based on an approved water quality plan. The effectiveness of these practices in reducing pollutants is evaluated.
9. Dairy Indemnity Program. This program was established by section 3 of P.L. 90-484, "An Act to provide indemnity payments to dairy farmers." This law carried out the intent of P.L. 88-452, Economic Opportunity Act of 1964, which originally authorized indemnity payments. The program was extended through September 30, 1990, by section 152 of the Food Security Act of 1985. Under this program, indemnity payments are made to farmers and manufacturers who are directed to remove their milk or milk products from commercial markets because of (1) residues of chemicals that have been registered and approved by the Federal Government, (2) residues of other chemicals and toxic substances, or (3) nuclear fallout. The authority also provides indemnity payments on cows producing such milk.
10. Commodity Credit Corporation Program Activities. Various commodity price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the CCC programs. The Administrator of ASCS is ex-officio Executive Vice President of the Corporation. Additional information on the commodity price support and related activities of the Commodity Credit Corporation is found elsewhere in these Explanatory Notes.



11. Foreign Assistance Program and Other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended, the Corporation finances the sale of exported agricultural commodities (Titles I and III) and donates commodities to friendly nations in times of famine or other emergencies in order to combat malnutrition (Title II). Funds for these programs are made available to the Corporation for its costs incurred or to be incurred in connection with these activities. Additional information on these programs is found elsewhere in these Explanatory Notes.
12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This activity includes defense readiness for food production; domestic distribution of farm machinery, fertilizer, feed, and seed; food processing and storage; and distribution through the wholesale level. ASCS also performs certain services for other Federal agencies and others on an advance or reimbursable payment basis.

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Available Funds and Staff-Years  
1987 Actual and Estimated 1988 and 1989

Item	1987 Actual		1988 Estimated		1989 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Salaries & Expenses, ASCS: Transfers from CCC authorized in Appropriation Act	\$534,743,000	2,997	\$565,000,000	3,087	\$580,000,000	2,931
Agricultural Conserva- tion Program.....	176,935,000		176,935,000		--	
Colorado River Basin Salinity Control Program.....	3,804,000		4,904,000		--	
Dairy Indemnity Program.....	648,000		95,000		--	
Forestry Incentives Program.....	11,891,000		11,891,000		--	
Water Bank Program.....	8,371,000		8,371,000		--	
Emergency Conservation Program.....	10,000,000		1,000,000		--	
Subtotal, ASCS	746,392,000	2,997	768,196,000	3,087	580,000,000	2,931
Obligations under other USDA appropriations	27,069,000	213	27,879,000	199	27,384,000	200
Total Agriculture and Related Agencies Appropriations.....	773,461,000	3,210	796,075,000	3,286	607,384,000	3,131
Other Federal Funds.....	1,281,000	1	492,000	1	463,000	1
Non-Federal Funds.....	33,803,000	74	60,763,000	100	20,533,000	101
Total, Agricultural Stabilization and Conservation Service..	808,545,000	3,285	857,330,000	3,387	628,380,000	3,233

Full-Time Equivalent Staff- Years:	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Ceiling.....	3,171	3,288	3,144
Non-ceiling.....	114	99	89
Total.....	<u>3,285</u>	<u>3,387</u>	<u>3,233</u>

Note: Staff-years shown do not include staff-years for ASCS county and community committee persons and employees of ASCS county committees who are not Federal employees.

ASCS county employee staff-years are as follows:

FY 1987 - 17,842  
 1988 - 17,808  
 1989 - 16,202

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE  
Permanent Positions by Grade and Staff-Year Summary  
1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES 6	1 :	0 :	1 :	1 :	0 :	1 :	1 :	0 :	1 :
ES 5	0 :	0 :	0 :	1 :	0 :	1 :	1 :	0 :	1 :
ES 4	6 :	2 :	8 :	5 :	2 :	7 :	5 :	2 :	7 :
ES 3	3 :	0 :	3 :	3 :	0 :	3 :	3 :	0 :	3 :
ES 2	5 :	0 :	5 :	5 :	0 :	5 :	5 :	0 :	5 :
ES 1	0 :	0 :	0 :	0 :	0 :	0 :	0 :	0 :	0 :
GS/GM 15	44 :	32 :	76 :	46 :	33 :	79 :	47 :	33 :	80 :
GS/GM 14	83 :	50 :	133 :	85 :	50 :	135 :	86 :	50 :	136 :
GS/GM 13	115 :	166 :	281 :	123 :	168 :	291 :	122 :	168 :	290 :
GS 12	61 :	530 :	591 :	68 :	569 :	637 :	68 :	552 :	620 :
GS 11	34 :	251 :	285 :	36 :	258 :	294 :	36 :	242 :	278 :
GS 10	1 :	8 :	9 :	1 :	8 :	9 :	1 :	7 :	8 :
GS 9	17 :	178 :	195 :	18 :	195 :	213 :	18 :	178 :	196 :
GS 8	8 :	24 :	32 :	9 :	24 :	33 :	9 :	22 :	31 :
GS 7	57 :	190 :	247 :	59 :	215 :	274 :	59 :	203 :	262 :
GS 6	54 :	106 :	160 :	55 :	106 :	161 :	55 :	101 :	156 :
GS 5	20 :	361 :	381 :	23 :	365 :	388 :	23 :	354 :	377 :
GS 4	17 :	153 :	185 :	18 :	168 :	186 :	18 :	164 :	182 :
GS 3	7 :	49 :	56 :	9 :	52 :	61 :	9 :	50 :	59 :
GS 2	2 :	1 :	3 :	2 :	1 :	3 :	1 :	1 :	2 :
GS 1	0 :	0 :	0 :	0 :	0 :	0 :	0 :	0 :	0 :
Ungraded Positions:	6 :	32 :	38 :	6 :	32 :	38 :	6 :	32 :	38 :
Total Permanent Positions ....	541 :	2,148 :	2,689 :	573 :	2,246 :	2,819 :	573 :	2,159 :	2,732 :
Staff-years: Ceiling .....	560 :	2,611 :	3,171 :	592 :	2,696 :	3,288 :	592 :	2,552 :	3,144 :
Non-Ceiling ..	7 :	107 :	114 :	9 :	90 :	99 :	9 :	80 :	89 :
TOTAL .....	567 :	2,718 :	3,285 :	601 :	2,786 :	3,387 :	601 :	2,632 :	3,233 :

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

CLASSIFICATION BY OBJECTSAgency Summary1987 and Estimated 1988 and 1989

Personnel Compensation:	<u>1987</u>	<u>1988</u>	<u>1989</u>
Headquarters .....	\$20,421,000	\$22,381,000	\$22,047,000
Field .....	<u>62,879,000</u>	<u>67,200,000</u>	<u>65,934,000</u>
11 Total personnel compensation .....	83,300,000	89,581,000	87,981,000
12 Personnel Benefits ....	11,934,000	12,853,000	12,880,000
13 Benefits for former personnel .....	<u>701,000</u>	<u>822,000</u>	<u>835,000</u>
Total Pers. Comp. & Benefits .....	<u>95,935,000</u>	<u>103,256,000</u>	<u>101,696,000</u>
Other Objects:			
21 Travel .....	4,067,000	4,459,000	4,484,000
22 Transportation of things .....	1,260,000	1,137,000	1,204,000
23 Rent, communications and utilities .....	16,841,000	22,172,000	23,937,000
24 Printing and reproduction .....	3,565,000	3,811,000	3,786,000
25 Other services .....	18,630,000	23,557,000	23,371,000
26 Supplies and materials .....	3,280,000	3,865,000	4,351,000
31 Equipment .....	540,000	672,000	835,000
41 Grants, subsidies, and contributions ..	597,031,000	697,001,000	416,221,000
42 Insurance claims and indemnities ....	19,000	67,000	67,000
43 Interest and dividends .....	2,000	8,000	8,000
44 Refunds .....	<u>45,000</u>	<u>40,000</u>	<u>40,000</u>
Total other objects .....	<u>645,280,000</u>	<u>756,789,000</u>	<u>478,304,000</u>
Total direct obligations ...	<u>741,215,000</u>	<u>860,045,000</u>	<u>580,000,000</u>

Position Data:

Average Salary, ES positions .....	67,916	71,800	71,800
Average Salary, GS/GM positions .....	25,454	26,727	27,110
Average Grade, GS/GM positions .....	9.53	9.61	9.64





## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses (Including Transfers of Funds):

For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); the Agricultural Act of 1949, as amended (7 U.S.C. 1421 et seq.); sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q); sections 1001 to 1004, 1006 to 1008, and 1010 of the Agricultural Act of 1970 as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501 to 1504, 1506 to 1508, and 1510); the Water Bank Act, as amended (16 U.S.C. 1301-1311); the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101); sections 202(c) and 205 of title II of the Colorado River Basin Salinity Control Act of 1974, as amended (43 U.S.C. 1592(c), 1595); sections 401, 402, and 404 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 to 2205); the United States Warehouse Act, as amended (7 U.S.C. 241-273); and laws pertaining to the Commodity Credit Corporation, not to exceed [~~\$565,000,000~~] \$580,000,000, to be derived by transfer from the Commodity Credit Corporation fund: Provided, That other funds made available to the Agricultural Stabilization and Conservation Service for authorized activities may be advanced to and merged with this account: Provided further, That these funds shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$100,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That no part of the funds made available under this Act shall be used (1) to influence the vote in any referendum; (2) to influence agricultural legislation, except as permitted in 18 U.S.C. 1913; or (3) for salaries or other expenses of members of county and community committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, for engaging in any activities other than advisory and supervisory duties and delegated program functions prescribed in administrative regulations.

## Agricultural Stabilization and Conservation Service

SALARIES AND EXPENSES

Transfers from  
Commodity Credit  
Corporation

Appropriation Act, 1988.....	\$565,000,000
Budget Estimate, 1989.....	580,000,000
Increase in Transfers.....	<u>+15,000,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of CCC transfers)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>Financing Changes</u>	<u>1989 Estimates</u>
Decreased Workload.....	\$565,000,000	-\$23,400,000	--	\$541,600,000
All Other.....	<u>---</u>	<u>---</u>	<u>+\$38,400,000</u>	<u>38,400,000</u>
TOTAL AVAILABLE.....	<u>\$565,000,000</u>	<u>-\$23,400,000</u>	<u>+\$38,400,000</u>	<u>\$580,000,000</u>

PROJECT STATEMENT  
(On basis of adjusted CCC transfers)

	1987 Actual		1988 Estimated		Increase or Decrease	1989 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Program for- mulation and appraisal....	\$19,781,000:	111:	\$20,900,000:	114:	+\$555,000:	\$21,455,000:	108
2. Operation of supply ad- justment, conservation and price support pro- grams.....	459,778,000:	2,576:	485,781,000:	2,652:	+12,901,000:	498,682,000:	2,518
3. Inventory management and merchan- dising.....	55,067,000:	308:	58,181,000:	318:	+1,545,000:	59,726,000:	302
4. Warehouse examination..	117,000:	2:	138,000:	3:	- 1,000:	137,000:	3
Total available or estimate..	534,743,000:	2,997:	565,000,000:	3,087:	+15,000,000:	580,000,000:	2,931
Transfers from CCC transfer authority....	-532,686,000:	-2,997:	-565,000,000:	-3,087:			
Portion not drawn down...	-300,000:	--	--	--			
Portion not available pursuant to P.L. 100-71..	-1,757,000:	--	--	--			
Total, appropriation	-0-	-0-	-0-	-0-			

JUSTIFICATION OF INCREASES AND DECREASES

An overall net increase of \$15,000,000 in CCC transfer authority for ASCS farm program administration (\$565,000,000 available in FY 1988), consisting of:

- (1) A net decrease of \$23,400,000 resulting from reductions in Federal and County Offices workload related to:

Decreases resulting from full automation implementation, reduced loan activity, no new funding for regular conservation programs, and reduced workload associated with producer yields and bases calculations and notifications. These estimated workload decreases comprise almost 1,500 county office staff years and about 150 Federal staff years, largely at the Kansas City Field Offices.

- (2) An increase of \$38,400,000 for the one-time use of loan service fees in FY 1988.

Increased CCC transfers in FY 1989 are necessary to adjust for the one-time use of loan service fees totaling \$38,400,000 in FY 1988. By using all available funds in the loan service fee account in FY 1988, ASCS will be able to fund all farm program administration costs without the need for an Agency furlough. This action will leave the loan service fee account entirely depleted by the beginning of FY 1989, requiring an increase in CCC transfers in FY 1989 to maintain the funding level required to carryout ASCS programs.

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of program administration and other functions assigned to ASCS. The Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs. Funds made available to ASCS by other agencies for ASCS services associated with various programs are also advanced to and merged with this account. These transfers consolidate all administrative funds used by ASCS into one account, which provides clarity and better management and control of funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs have a major impact on the national and, to a lesser extent, the international economy. This activity provides for the development and constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.
2. Operation of supply adjustment, conservation, and price support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases, and yields; (e) notifying producers of established allotments, bases, and yields; (f) determining farm marketing quotas; (g) handling appeals; (h) conducting referendums and certifying results; (i) accepting farmer certifications and checking compliance; (j) accepting producer applications for participation in commodity price stabilizing programs; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing and issuing conservation reserve rental payments; (m) processing annual Dairy Termination Program payments and issuing checks; (n) processing commodity, storage facility, and grain reserve loans and repayments and issuing checks; (o) processing disaster, diversion and deficiency payments and issuing checks and commodity certificates; and (p) monitoring payment limitations.
3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) purchasing commodities; (c) donating commodities; (d) selling commodities (e) processing the redemption of commodity certificates for CCC inventory; and, (f) accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

- o Agricultural exports
- o Environmental improvement and resource development and use
- o Farm income

4. Warehouse Examination. This activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities. ASCS examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the U.S. Warehouse Act and any CCC storage agreements.



The following tabulation shows totals in this account for administrative expenses:

Project	1987 Actual	1988 Estimated	1989 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal....	\$21,809,000	\$23,978,000	\$23,024,000
2. Operation of supply adjustment, conservation, & price support programs..	506,935,000	557,331,000	535,160,000
3. Inventory management & merchandising of commodities.....	60,715,000	66,750,000	64,095,000
4. Warehouse examination.....	5,380,000	6,075,000	6,101,000
Total.....	594,839,000	654,134,000	628,380,000
Obligations under CCC transfers:			
ASCS.....	532,686,000	565,000,000	580,000,000
Obligations under funds from other sources and consolidated with this account .....	62,153,000	89,134,000	48,380,000
Total.....	594,839,000	654,134,000	628,380,000

#### HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2,682 headquarter counties for each category of work in each major program or function. Unmeasured work reflects other activities, less subject to this work measurement technique, which are recorded on an actual workday basis. This determines the normal work-days required for the workload involved in each fiscal year. The workload for each major program or function is shown in Table I and reflects changing program requirements.

The actual obligations for 1987, divided by the actual work-years, determined the average work-year cost for 1987. This cost was revised for 1988 and 1989 to reflect related pay adjustments, FERS, and for changing workload and personnel requirements.

State, Field, and National Office Costs. Requirements for these offices are determined on the basis of past experience and program workload requirements. Table II reflects volume by major activity for field and national offices.



COMPUTATIONS FOR DEVELOPING  
COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1987

Normal work-days (Table I).....	4,638,962	
Work-years for workload programs.....	17,842	a/
Obligations for workload programs (county offices).....	\$437,333,000	a/
Obligations for other offices.....	\$157,506,000	
Total obligations, fiscal year 1987.....	\$594,839,000	

Fiscal Year 1988

Normal work-days (Table I).....	4,630,080	
Work-year requirements for workload programs.....	17,808	a/
Obligations for workload programs (county offices).....	\$476,250,000	a/
Obligations for other offices.....	\$177,884,000	
Total estimated obligations, fiscal year 1988.....	\$654,134,000	

Fiscal Year 1989

Normal work-days (Table I).....	4,212,518	
Work-year requirements for workload programs.....	16,202	a/
Obligations for workload programs (county offices).....	\$449,863,000	a/
Obligations for other offices.....	\$178,517,000	
Total estimated obligations, fiscal year 1989.....	\$628,380,000	

NOTE: The above computations include all funds (CCC transfers, User Fees, other Advances and Reimbursements, and transfers from other agencies) available to Salaries and Expenses, ASCS.

a/ The following work-years and funds are included for reimbursable county office workload associated with the Federal Crop Insurance Act of 1980.

	<u>FY 1987</u>		<u>FY 1988</u>		<u>FY 1989</u>	
	<u>Work- Years</u>	<u>Dollars</u>	<u>Work- Years</u>	<u>Dollars</u>	<u>Work- Years</u>	<u>Dollars</u>
FCIC .....	128	\$3,242,000	114	\$2,925,000	89	\$2,460,000

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE  
SALARIES AND EXPENSES, ASCS

Normal Work-Days by Program/Function  
FY 1987 Actual, FY 1988 Estimated and FY 1989 Projected

Program/Function	FISCAL YEAR		
	1987 Actual	1988 Estimated	1989 Projected
Conservation and Related Programs.....	369,677	389,181	244,356
Wool and Mohair.....	13,187	13,187	13,187
Loan Activity.....	902,029	846,539	821,119
Compliance.....	810,605	786,009	779,935
Yields and Bases Establishment.	203,638	320,274	181,235
Commodity Program Payments.....	706,479	653,636	649,083
Basic Farm Records.....	272,448	274,980	243,815
Peanut Quotas and Marketings...	29,481	25,518	25,518
Tobacco Allotments and Marketings.....	74,448	65,201	65,201
Referenda.....	97	760	10,776
Administration.....	702,207	793,348	792,773
Committee Elections.....	56,990	39,998	39,998
Unmeasured.....	225,314	150,755	107,472
Measurement Services.....	224,362	224,362	200,000
SCOAP Implementation.....	18,137	16,774	14,820
Subtotal.....	4,609,099	4,600,522	4,189,288
FCIC and Reinsured Companies...	29,863	29,558	23,230
Total.....	4,638,962	4,630,080	4,212,518
County Staff Year Equivalent of Normal Workdays.....	17,842	17,808	16,202

COMMODITY CREDIT CORPORATION  
Summary of Major Program Volume by Commodity  
(In thousands)

Item and Commodity	FY 1987 Actual	FY 1988 Estimated	FY 1989 Estimated
<b>1. LOANS MADE</b>			
Upland Cotton (bales)	6,039	4,175	3,800
Corn (bu)	5,174,769	4,567,000	3,435,000
Grain Sorghum (bu)	431,114	321,600	165,000
Rice, Rough (cwt)	124,233	112,540	93,665
Wheat (bu)	507,928	370,281	265,957
Soybeans (bu)	334,592	300,000	230,000
Other Grains (bu)*	169,891	124,000	113,900
Honey (lb)	155,107	165,000	166,500
ELS Cotton (bales)	19	7	11
<b>2. LOAN COLLATERAL FORFEITURES</b>			
Upland Cotton (bales)	122	--	--
Corn (bu)	1,335,796	764,931	220,900
Grain Sorghum (bu)	245,842	232,323	80,100
Rice, Rough (cwt)	2,291	2,058	400
Wheat (bu)	212,979	157,995	56,014
Soybeans (bu)	255,496	23,000	--
Other Grains (bu)*	49,787	52,270	41,243
Honey (lb)	80,545	67,400	15,000
ELS Cotton (bales)	7	2	2
<b>3. DISPOSITIONS</b>			
Upland Cotton (bales)			
Regular	252	--	--
Certificates	5,418	104	--
Total	5,670	104	--
Corn (bu)			
Regular	454,079	210,361	105,000
Certificates	3,566,949	5,559,404	3,389,900
Total	4,021,028	5,769,765	3,494,900
Grain Sorghum (bu)			
Regular	21,241	74,910	39,660
Certificates	197,639	187,899	132,000
Total	218,837	262,809	171,660
Rice, Rough (cwt)			
Regular	19,683	5,870	2,806
Certificates	21,971	5,600	--
Total	41,654	11,470	2,806

(continued next page)

TABLE II (continued)

Item and Commodity	FY 1987 Actual	FY 1988 Estimated	FY 1989 Estimated
<u>DISPOSITIONS (cont.)</u>			
Wheat (bu)			
Regular	69,826	70,209	32,622
Certificates	584,461	805,000	234,444
Total	654,287	875,209	267,066
Soybeans (bu)			
Regular	226,052	229,000	24,000
Certificates	3,828	4,429	3,601
Total	229,880	233,429	27,601
Other Grains (bu)*			
Regular	12,232	7,473	1,450
Certificates	105,817	62,600	65,900
Total	118,079	70,073	67,350
Honey (lb)	115,213	64,824	72,303
ELS Cotton (bales)	19	5	2
<u>4. ENDING INVENTORIES</u>			
Upland Cotton (bales)	79	--	--
Corn (bu)	1,540,430	1,453,000	1,144,900
Grain Sorghum (bu)	453,099	547,156	531,015
Rice, Rough (cwt)	9,561	2,323	620
Wheat (bu)	876,752	389,199	302,287
Soybeans (bu)	232,030	24,601	--
Other Grains (bu)*	105,022	116,219	121,012
Honey (lb)	56,983	58,198	--
ELS Cotton (bales)	4	1	1

\*Includes barley, oats, and rye.

## ADP Activities

ADP in ASCS is integral to the agency's long range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. ASCS recently implemented a national network of computer systems in support of CCC operations. All State and county ASCS offices now utilize computer-based procedures to conduct day-to-day support to producers. This distributed network approach has dramatically reduced the agency's previous dependency upon traditional paper documents and hand prepared forms.

Most farm and producer data are currently maintained on the county office computers and are automatically accessed, used, and updated simultaneously while servicing the producers. Most major program applications are expected to be completed during fiscal year 1988.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production and supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

Contractor assistance is being utilized for developing and implementing the processed commodities inventory system and the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling \$10,516,000 in fiscal year 1989 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan.

CCC funding for mission essential enhancements for SCOAP equipment are estimated at \$5,944,000. Hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, are estimated at \$911,000. The remaining \$3,661,000 is for the purchase of hardware to complete the proposed automation of tobacco marketing sites, and various peripherals needed to complete automation for Washington and field offices.

## CONGRESSIONAL DIRECTIVE

In accordance with a Congressional directive requesting that the Explanatory Notes reflect a division between administrative costs for regular conservation loan programs and all other ASCS activities, the estimated FY 1989 administrative cost for conservation is \$8,293,000.

This cost estimate includes all conservation administrative costs associated with activities previously funded through direct appropriation. For FY 1989, this estimate reflects costs for administering only carryover activities for the Agricultural Conservation Program, the Forestry Incentive Program, the Water Bank Program, the Rural Clean Water Program, and the Colorado River Basin Salinity Control Program.

Agricultural Stabilization and Conservation Service  
Salaries and Expenses  
Geographic Breakdown of Obligations and Staff-Years  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimate	1989 Estimate
Alabama	\$9,771,453	\$10,125,657	\$10,395,505
Alaska	210,644	218,302	224,097
Arizona	1,742,235	1,805,567	1,853,502
Arkansas	9,958,200	10,320,192	10,594,179
California	5,230,031	5,420,149	5,564,046
Colorado	5,802,320	6,013,241	6,172,885
Connecticut	856,767	887,911	911,484
Delaware	661,701	685,755	703,960
District of Columbia	53,139,188	55,400,419	56,871,227
Florida	5,074,415	5,258,876	5,398,493
Georgia	15,553,230	16,118,608	16,546,536
Hawaii	397,516	411,966	422,903
Idaho	5,218,084	5,407,767	5,551,337
Illinois	23,696,114	24,557,495	25,209,464
Indiana	14,100,219	14,612,778	15,000,728
Iowa	29,260,112	30,323,751	31,128,806
Kansas	19,706,831	20,423,197	20,965,405
Kentucky	12,849,417	13,316,508	13,670,043
Louisiana	7,144,173	7,403,872	7,600,435
Maine	1,727,200	1,789,906	1,837,507
Maryland	2,118,476	2,195,485	2,253,772
Massachusetts	878,198	910,121	934,284
Michigan	10,868,377	11,263,455	11,562,485
Minnesota	19,376,547	20,080,907	20,614,028
Mississippi	11,697,666	12,122,889	12,444,736
Missouri	56,859,080	67,562,925	69,356,631
Montana	7,527,177	7,800,799	8,007,900
Nebraska	21,848,934	22,643,168	23,244,314
Nevada	816,067	845,732	868,185
New Hampshire	807,794	837,159	859,384
New Jersey	932,477	966,373	992,029
New Mexico	2,814,077	2,916,372	2,993,798
New York	6,578,320	6,817,450	6,998,444
North Carolina	16,077,964	16,662,417	17,104,782
North Dakota	14,518,633	15,046,402	15,445,864
Ohio	13,613,488	14,108,354	14,482,912
Oklahoma	10,302,067	10,676,560	10,960,008
Oregon	3,567,874	3,697,570	3,795,735
Pennsylvania	6,761,849	7,007,650	7,193,694
Puerto Rico-Virgin	562,922	583,385	598,873
Rhode Island	194,782	201,863	207,222
South Carolina	6,635,316	6,876,517	7,059,079
South Dakota	11,833,828	12,264,002	12,589,595
Tennessee	12,659,458	13,119,644	13,467,953
Texas	34,192,287	35,435,218	36,375,978
Utah	3,295,003	7,398,514	7,594,935
Vermont	1,191,895	1,235,221	1,268,015
Virginia	9,170,486	9,503,843	9,756,158
Washington	4,176,286	4,328,098	4,443,004
West Virginia	4,071,847	4,219,864	4,331,896
Wisconsin	12,782,816	13,247,485	13,599,189
Wyoming	1,854,159	1,921,560	1,972,575
Total Direct Obligations/Estimates	532,686,000	565,000,000	580,000,000
Undistributed Reimbursements	62,153,000	89,134,000	48,380,000
Total, Available Estimate	\$594,839,000	\$654,134,000	\$628,380,000



## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Dairy Indemnity Program

[For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or dairy products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and in making indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of the Act of August 13, 1968, as amended (7 U.S.C. 450j), if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer, \$95,000: Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government: Provided, That this amount shall be transferred to the Commodity Credit Corporation: Provided further, That the Secretary is authorized to utilize the services, facilities, and authorities of the Commodity Credit Corporation for the purpose of making dairy indemnity disbursements.]

The change deletes the appropriation language for the Dairy Indemnity Program since no funds are proposed for this program in fiscal year 1989.

Dairy Indemnity Program

Appropriations Act, 1988 .....	\$95,000
Budget Estimate, 1989 .....	--
Decrease in Appropriation .....	<u><u>-\$95,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Indemnity payments to dairy farmers ....	\$95,000	-\$95,000	--
Indemnity payments to manufacturers of dairy products .....	--	--	--
Total Available .....	<u><u>\$95,000</u></u>	<u><u>-\$95,000</u></u>	<u><u>--</u></u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Indemnity payments to dairy farmers and manufacturers .....	\$648,000	\$95,000	-\$95,000	--
Total, appropriation or estimate .....	\$648,000	\$95,000	-\$95,000	--

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Indemnity payments to dairy farmers .....	\$2,669,674	\$604,231	-\$604,231	--
Indemnity payments to man- ufacturers of dairy pro- ducts .....	3,299,770	--	--	--
Contamination testing ....	719,213	714	-714	--
Unobligated balance brought forward from prior years.	-6,550,602	-509,945	+509,945	--
Unobligated balance carried forward to next year .....	509,945	--	--	--
Total, appropriation or estimate .....	\$648,000	\$95,000	-\$95,000	--

### EXPLANATION OF PROGRAM

The appropriation "Dairy Indemnity Program" of the Agricultural Stabilization and Conservation Service funds indemnity payments, under certain circumstances, to dairy farmers and manufacturers of dairy products.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal Government at the time of use. Original authority granted under this section terminated January 31, 1965, but the termination date has been extended ten times. Major legislation extending and modifying the program is summarized as follows:

- The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved by the Federal Government.
- The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. The Act also authorized indemnity payments for dairy cows producing milk contaminated with pesticide residues.
- The Food and Agriculture Act of 1977, which extended the Dairy Indemnity Program to September 30, 1981, also authorized indemnity payments for milk, or cows producing milk, that must be removed from commercial markets as a result of chemical residues not previously included, nuclear radiation, or fallout.
- The Agriculture and Food Act of 1981 extended authority for the Dairy Indemnity Program through September 30, 1985.
- The Food Security Act of 1985 extended authority for the Dairy Indemnity Program through September 30, 1990.
- Use of Commodity Credit Corporation services and facilities was authorized under Public Law 99-349, the fiscal year 1986 Urgent Supplemental Appropriations Act, and under the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1988.
- Dairy Indemnity Program funds were made available until expended under Section 608, General Provisions, of Public Law 99-190, the Continuing Resolution for fiscal year 1986, and was continued in fiscal years 1987 and 1988 under Section 608, General Provisions, of the Agriculture appropriations acts for those years.

During fiscal year 1988, claims totaling \$604,231 from dairy farmers will be paid. During fiscal year 1987, 116 dairy farmers and 15 manufacturers of dairy products were paid for losses totaling \$8,233,616. This amount includes \$2,264,172 for claims paid in fiscal year 1986 but not reported to the national level in time to be included in 1986 data.

### JUSTIFICATION OF DECREASE

A decrease of \$95,000 for indemnity payments to dairy farmers (\$95,000 available in fiscal year 1988).

Need for Change. It is estimated that funds currently available will be sufficient to satisfy pending outstanding claims. No other major contamination problems are known at this time; therefore, no additional funds are being requested in the fiscal year 1989 budget.

Nature of Change. This decrease will eliminate funding for indemnity payments to dairy farmers and manufacturers of dairy products in fiscal year 1989.

The following table shows the geographic breakdown of obligations for fiscal years 1987-89.

Dairy Indemnity Program  
Geographic Breakdown of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Arkansas	\$4,158,740	\$394,177	—
Missouri	798,720	60,414	—
Nebraska	8,115	—	—
Oklahoma	1,003,869	149,640	--
Contamination testing	719,213 a/	714	—
Total, Available or Estimate	\$6,688,657	\$604,945	—

a/ Includes funds for heptachlor testing by the Food Safety and Inspection Service and Animal and Plant Health Inspection Service.



## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Agricultural Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act approved February 29, 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), and including not to exceed \$15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States, \$176,935,000, to remain available until expended (16 U.S.C. 590o) for agreements, excluding administration but including technical assistance and related expenses, except that no participant in the Agricultural Conservation Program shall receive more than \$3,500 per year, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community, or where a participant has a long-term agreement, in which case the total payment shall not exceed the annual payment limitation multiplied by the number of years of the agreement: Provided, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetlands Types 3 (III) through 20 (XX) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other conservation materials, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out approved farming practices as authorized by the Soil Conservation and Domestic Allotment Act, as amended, as determined and recommended by the county committees, approved by the State committees and the Secretary, under programs provided for herein: Provided further, That such assistance will not be used for carrying out measures and practices that are primarily production-oriented or that have little or no conservation or pollution abatement benefits: Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may, on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under the same conditions: Provided further, That for the current year's program \$2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities" approved August 2, 1939, as amended, or who has been found in accordance with the provisions of title 18 U.S.C. 1913 to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels.]

The change deletes the appropriation language for the Agricultural Conservation Program since no funds are proposed for this program in fiscal year 1989.

Agricultural Conservation Program

Appropriations Act, 1988 .....	\$176,935,000
Budget Estimate, 1989 .....	---
Decrease in Appropriation .....	<u><u>-\$176,935,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers .....	<u>\$176,935,000</u>	<u>-\$176,935,000</u>	<u>---</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers .....	\$176,935,000	\$176,935,000	-\$176,935,000	--
Total, appropriation or estimate .....	<u>\$176,935,000</u>	<u>\$176,935,000</u>	<u>-\$176,935,000</u>	<u>---</u>

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers ....	\$181,893,689	\$249,331,428	-\$249,331,428	--
Unobligated balance brought forward from prior years..	-77,355,117	-72,396,428	+72,396,428	--
Unobligated balance carried forward to next year.....	72,396,428	--	--	--
Total appropriation or estimate .....	<u>\$176,935,000</u>	<u>\$176,935,000</u>	<u>-\$176,935,000</u>	<u>---</u>



### EXPLANATION OF PROGRAM

The Agricultural Conservation Program (ACP) is authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act of 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), section 1501 of the Food and Agriculture Act of 1977 (P.L. 95-113), and section 259 of the Energy Security Act of 1980 (P.L. 96-294).

The ACP is administered by ASCS through the farmer-elected committee system. The program is a joint effort by Government and landowners to restore and protect basic land and water resources. Objectives include helping to ensure a continuous, adequate supply of food and fiber; improving water quality in rural America; facilitating resource management systems; and achieving national priorities reflected in the National Environmental Policy Act of 1969 and related legislation.

#### 1988 Program

1. Program Direction. The 1988 ACP will be directed toward congressional and executive objectives through continued emphasis on specific enduring practices to solve the most critical conservation problems and to meet water quality goals. Treatment of cropland estimated to have moderate to severe soil erosion (erosion in excess of the soil loss tolerance) will be of primary concern.
  - Annual Agreements. \$153.2 million was earmarked for cost-sharing of annual agreements and will be allocated to the States for this purpose.
  - Long-Term Agreements. \$20 million will be allocated to the States specifically for this purpose. States also have the option of using annual agreement funds for long-term agreements.
  - Variable Cost-Share Levels. Under this program, cost-share levels are established for erosion control practices on the basis of the severity of the erosion problem and the amount of soil saved. In fiscal year 1987 a total of 362 counties participated in this voluntary project. Results indicate that there are improvements in the cost effectiveness of practices applied under the program. Based on these results, \$2 million was allocated to continue the program in fiscal year 1988.
  - Technical Assistance. \$1.7 million is available to the Forest Service for technical assistance relating to forestry practices.
  - Method of Allocation. In accordance with administrative policy, the proportionate share of funds allocated to any State for annual agreements was not reduced more than 1 percent from the fiscal year 1987 distribution. Distribution to the States was made according to their conservation needs, as determined by the Secretary.
2. Program Development. State and county programs are developed through a process whereby county committees submit recommendations through the State committees to the Secretary. Practices available to a county committee include all those previously approved by the Secretary plus any other practice that a county committee considers necessary to solve a local conservation problem and that is approved by the State committee and the Secretary or his designee.
3. Practices. Under the 1988 ACP, cost effective practices such as water quality, vegetative cover, terraces, and sod waterways, which result in significant conservation of soil and water or other improvements in the environment, will be encouraged.

Practices that are not enduring or do not provide enduring benefits will not be a part of the program. Other practices excluded from the national program include practices that are primarily production oriented.

#### JUSTIFICATION OF DECREASE

A decrease of \$ 176,935,000 for cost-share assistance to agricultural producers (\$176,935,000 available in fiscal year 1988).

Need for Change. Due to the need to reduce the Federal deficit, no funds are proposed for this program. Funding from State, local, and private sources, which account for a major portion of the total conservation investment, would permit continuation of higher priority conservation measures on the Nation's agricultural lands.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1987 and (b) geographic breakdown of obligations for fiscal years 1987-1989.

Agricultural Conservation Program  
Fiscal Year 1987 Outlays by State

State	Outlays
Alabama	\$4,055,209
Alaska	217,402
Arizona	1,944,000
Arkansas	3,954,603
California	3,975,605
Colorado	4,372,320
Connecticut	336,041
Delaware	121,260
Florida	3,481,213
Georgia	5,105,732
Hawaii	340,472
Idaho	2,979,009
Illinois	6,010,440
Indiana	3,509,134
Iowa	6,020,122
Kansas	4,352,194
Kentucky	4,572,139
Louisiana	3,277,374
Maine	2,046,038
Maryland	1,045,891
Massachusetts	365,964
Michigan	3,538,018
Minnesota	3,928,036
Mississippi	5,157,904
Missouri	5,559,459
Montana	4,108,221
Nebraska	4,344,617
Nevada	780,127
New Hampshire	452,474
New Jersey	456,909
New Mexico	1,944,272
New York	4,664,049
North Carolina	3,853,039
North Dakota	2,759,126
Ohio	3,036,730
Oklahoma	4,134,221
Oregon	2,936,064
Pennsylvania	3,278,325
Puerto Rico	457,564
Rhode Island	56,583
South Carolina	3,119,314
South Dakota	2,163,970
Tennessee	4,533,813
Texas	12,100,812
Utah	3,535,577
Vermont	1,026,389
Virginia	3,151,043
Virgin Islands	22,328
Washington	3,698,714
West Virginia	2,040,110
Wisconsin	3,329,385
Wyoming	921,747
ASCS Subtotal (Includes	
SCS Tech. Assistance)	157,171,102
FS Technical Assistance	340,169
TOTAL	\$157,511,271

Agricultural Conservation Program  
Geographic Breakdown of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Alabama	\$5,458,810	\$6,151,995	--
Alaska	259,086	994,480	--
Arizona	1,496,450	3,450,328	--
Arkansas	4,486,405	4,651,987	--
California	6,224,621	6,525,822	--
Colorado	4,084,795	6,965,400	--
Connecticut	438,117	372,679	--
Delaware	320,095	360,260	--
Florida	4,287,581	5,246,123	--
Georgia	6,939,944	5,634,757	--
Hawaii	377,626	1,087,518	--
Idaho	3,286,523	3,738,591	--
Illinois	7,397,969	6,499,664	--
Indiana	3,520,707	5,634,199	--
Iowa	7,493,649	8,653,938	--
Kansas	5,542,766	6,951,744	--
Kentucky	4,720,992	5,239,005	--
Louisiana	3,959,355	4,121,868	--
Maine	2,852,474	2,420,375	--
Maryland	1,199,910	1,113,919	--
Massachusetts	565,607	567,297	--
Michigan	4,383,902	5,996,943	--
Minnesota	4,170,710	11,983,735	--
Mississippi	5,816,029	5,449,530	--
Missouri	7,358,025	10,157,854	--
Montana	3,746,798	8,153,714	--
Nebraska	4,913,871	5,839,845	--
Nevada	1,084,695	907,922	--
New Hampshire	589,584	1,022,192	--
New Jersey	407,473	901,438	--
New Mexico	2,427,577	3,094,152	--
New York	4,590,300	5,960,476	--
North Carolina	3,998,189	4,996,807	--
North Dakota	2,303,796	6,868,500	--
Ohio	4,214,239	5,216,087	--
Oklahoma	4,796,507	6,179,282	--
Oregon	3,934,106	4,593,282	--
Pennsylvania	4,493,347	5,447,447	--
Puerto Rico	605,879	631,661	--
Rhode Island	105,096	66,323	--
South Carolina	3,090,230	2,587,972	--
South Dakota	2,403,198	5,848,586	--
Tennessee	5,174,696	4,519,189	--
Texas	14,283,130	24,412,593	--
Utah	3,983,682	3,349,657	--
Vermont	1,079,592	1,130,997	--
Virginia	3,587,087	3,581,214	--
Virgin Islands	27,621	23,903	--
Washington	3,680,216	7,677,778	--
West Virginia	1,847,633	2,056,131	--
Wisconsin	3,196,821	7,669,297	--
Wyoming	561,724	4,855,622	--
ASCS Subtotal (Includes SCS Tech. Assistance)	181,769,235	247,562,078	--
FS Technical Assistance	124,454	1,769,350	--
Total, Available or Estimate	\$181,893,689	\$249,331,428	--

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Colorado River Basin Salinity Control Program

[For necessary expenses for carrying out the purposes of section 202 of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592), to be used to reduce salinity in the Colorado River and to enhance the supply and quality of water available for use in the United States and the Republic of Mexico, \$4,904,000, for investigations and surveys, for technical assistance in developing conservation practices and in the preparation of salinity control plans, for the establishment of on-farm irrigation management systems, including related lateral improvement measures, for making cost-share payments to agricultural landowners and operators, Indian tribes, irrigation districts and associations, local governmental and non-governmental entities, and other landowners to aid them in carrying out approved conservation practices as determined and recommended by the county committees, approved by the State committees and the Secretary, and for associated costs of program planning, information and education, and program monitoring and evaluation: Provided, That the Soil Conservation Service shall provide technical assistance and the Agricultural Stabilization and Conservation Service shall provide administrative services for the program, including but not limited to, the negotiation and administration of agreements and the disbursement of payments: Provided further, That such program shall be coordinated with the regular Agricultural Conservation Program and with research programs of other agencies.]

The change deletes the appropriation language for the Colorado River Basin Salinity Control Program since no funds are proposed for this program in fiscal year 1989.

Colorado River Basin Salinity Control Program

Appropriations Act, 1988 .....	\$4,904,000
Budget Estimate, 1989 .....	—
Decrease in Appropriation .....	<u><u>-\$4,904,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	<u>\$4,904,000</u>	<u>-\$4,904,000</u>	<u>—</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	\$3,804,000	\$4,904,000	-\$4,904,000	—
Total, appropriation or estimate.....	<u>\$3,804,000</u>	<u>\$4,904,000</u>	<u>-\$4,904,000</u>	<u>—</u>

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	\$2,174,487	\$6,533,513	-\$6,533,513	—
Unobligated balance brought forward from prior years..	—	-1,629,513	+1,629,513	—
Unobligated balance carried forward to next year.....	1,629,513	—	—	—
Total, appropriation or estimate.....	<u>\$3,804,000</u>	<u>\$4,904,000</u>	<u>-\$4,904,000</u>	<u>—</u>



### EXPLANATION OF PROGRAM

The Colorado River Basin Salinity Control Program (CRSC) is authorized by section 202(c) of Title II of the Colorado River Basin Salinity Control Act of 1974 (43 U.S.C. 1592c), as amended. Salinity problems in the Colorado River Basin are a critical concern to the seven basin States -- Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming -- and to the Republic of Mexico. Emphasis on Colorado River salinity control supports the Nation's commitment to the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and Mexico.

The objectives of the program are to provide financial and technical assistance to:

- Identify salt source areas in the Colorado River Basin.
- Develop project plans for conservation practices to reduce salt loads in the Colorado River.
- Install conservation practices.
- Carry out research, education, and demonstration activities.
- Carry out monitoring and evaluation activities.

The U.S. Department of the Interior (USDI) has estimated that irrigated agriculture contributes about 37 percent of the total salt load to the Colorado River above the Imperial Dam. Generally, on-farm irrigation and water distribution systems, especially in the Upper Basin, are not efficient and have a high level of surface runoff, excessive deep percolation, and high amounts of seepage from irrigation canals and laterals. Salt loading occurs as seepage and deep percolation leach salts from the soil and underlying geologic formations into the river. Salt concentrations are caused by evaporation, evapo-transpiration of irrigated crops, and export of water for other uses leaving salt in the soil and remaining water.

The Colorado River serves as the primary source of water for parts of the seven Basin States and is used and reused for crop irrigation, hydro-electric power generation, and municipal and industrial purposes. Increases in the salinity of the water cause considerable economic losses. Salinity build-up in the soil root zones reduces or eliminates economic returns from growing agricultural products. Excessive salinity in groundwater, lakes, streams, and rivers reduces or precludes the use of this water by man or wildlife.

There are approximately 1 million acres of irrigated cropland in 17 identified salt source units in the Colorado Basin. Ten of these units presently are considered cost-effective for inclusion in the CRSC Program. These ten units could require conservation treatment on as much as 700,000 acres of irrigated cropland.

The program is a cooperative endeavor by USDA agencies addressing the following program areas:

- Irrigation salt source studies conducted by Soil Conservation Service (SCS).
- Technical assistance provided by SCS.
- Cost-sharing assistance provided by Agricultural Stabilization and Conservation Service.
- Extension education conducted by Extension Service.

- Research and demonstration provided by Agricultural Research Service and Cooperative State Research Service.
- Monitoring and evaluation conducted by SCS.

Consolidated funding provides for consistent and coordinated budget decisions by the Administration and Congress.

The CRSC Program applies to lands that are in an identified salt source area, and are owned or controlled by private individuals, Indian tribes, irrigation districts or companies, or State or local governments.

Landowners or operators are eligible to participate in the CRSC Program if all of the following apply:

- Their lands or activities contribute to the project area's salt loading of the Colorado River;
- Their lands or activities in a project area are designated as critical areas or salt sources;
- The Conservation District approves the Salinity Control Plan covering the critical areas and salt sources; and
- The participant meets any minimum acreage requirements established by the county ASC committee.

County ASC committees may enter into CRSC contracts with individuals or entities on eligible land. Under these contracts, ASCS will agree to share with the participant the cost of establishing necessary salinity reduction practices. In return, a participant must agree to carry out a cost-effective salinity control plan developed for the participant's land. The salinity control plan (Project Implementation Plan) includes the salinity reduction practice or practices that must be installed as well as a schedule of completion dates.

Cost-share levels up to 70 percent of the total cost are authorized for the CRSC Program. Levels exceeding the on-farm and offsite benefits must be approved by agency headquarters with USDA Salinity Control Coordinating Committee concurrence. The combined cost-shares by Federal, State, and others shall not exceed 100 percent of the cost of carrying out a salinity reduction practice. Cost-share assistance levels vary among projects.

Reimbursement of 30 percent of ASCS cost-share funds will be billed by USDI and paid by the States to Treasury. The Upper Basin States and Lower Basin States will contribute 15 percent and 85 percent, respectively, of the 30-percent share to be repaid.

Salinity reduction practices (SRP's) for which cost-sharing may be authorized are:

- SRP 1 ON-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing deep percolation of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.
- SRP 2 OFF-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing seepage of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.
- SRP 3 PERMANENT WILDLIFE HABITAT: To protect, restore, or develop permanent wildlife habitat cover or food, to replenish wildlife.
- SRP 4 SHALLOW WATER AREAS FOR WILDLIFE: To develop or restore shallow water areas to replace the associated wildlife resources.

SRP SPECIAL SALINITY REDUCTION PRACTICES: Projects may develop permanent salinity reduction and fish and wildlife practices needed to solve a significant, unique local problem that has been designated high priority in the Project Implementation Plan and for which national program practices are not adequate.

1988 CRSC program allocations totaling \$4.904 million include \$3.089 million to States for cost-sharing; \$1.640 million to Soil Conservation Service for technical assistance, monitoring and evaluation, and planning studies; and \$175 thousand to Extension Service for information and education.

#### JUSTIFICATION OF DECREASE

A decrease of \$4,904,000 for Colorado River Basin Salinity Control Program payments to landowners and others (\$4,904,000 available in fiscal year 1988).

Need for Change. Due to the need to reduce the Federal deficit, no funds are proposed for this program. Funding from State, local, and private sources would permit continuation of the higher priority salinity control measures in the Basin area.

Nature of Change. No additional projects or contracts will be initiated under this program. Existing agreements for which funds were previously obligated will be honored.

The following tables show (a) outlays for fiscal year 1987 and (b) geographic breakdown of obligations for fiscal years 1987-89.

## Colorado River Basin Salinity Control Program

## Fiscal Year 1987 Outlays by State

State	Outlays
Colorado	--
Utah	--
SCS & ES Technical Assistance	\$1,284,000
Total	\$1,284,000

## Colorado River Basin Salinity Control Program

## Geographic Breakdown of Obligations

## Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Colorado	\$172,250	\$2,300,750	--
Utah	648,237	2,318,763	--
Wyoming	--	99,000	--
SCS Technical Assistance	1,284,000	1,640,000	--
ES Information/ Education	70,000	175,000	--
Total, Available or Estimate	\$2,174,487	\$6,533,513	--

NOTE: Thirty percent of ASCS cost-share obligations will be reimbursed by the States to Treasury.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Water Bank Program

[For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), \$8,371,000, to remain available until expended.]

This change deletes the appropriation language for the Water Bank Program since no funds are proposed for this program in fiscal year 1989.

Water Bank Program

Appropriations Act, 1988 .....	\$8,371,000
Budget Estimate, 1989 .....	---
Decrease in Appropriation .....	<u><u>-\$8,371,000</u></u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Annual payments to landowners and operators .....	<u>\$8,371,000</u>	<u>-\$8,371,000</u>	<u>---</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Annual payments to land- owners and operators ....	\$8,371,000	\$8,371,000	-\$8,371,000	---
Total, appropriation or estimate .....	<u>\$8,371,000</u>	<u>\$8,371,000</u>	<u>-\$8,371,000</u>	<u>---</u>

PROJECT STATEMENT

(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Annual payments to land- owners and operators .....	\$10,782,520	\$10,639,338	-\$10,639,338	---
Unobligated balance brought forward from prior years .	-4,679,858	-2,268,338	+2,268,338	---
Unobligated balance carried forward to next year .....	2,268,338	---	---	---
Total, appropriation or estimate .....	<u>\$8,371,000</u>	<u>\$8,371,000</u>	<u>-\$8,371,000</u>	<u>---</u>



EXPLANATION OF PROGRAM

The appropriation "Water Bank Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970, as amended by Public Law 96-182, approved January 2, 1980.

Its purpose is to conserve water, preserve, maintain, and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas. The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for 10 years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas. The Secretary makes annual payments to the owner or operator at a rate determined at the time of agreement and subject to review after 4 years and at the time of renewal.

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to ensure coordination.

The 1988 program level of \$8,371,000 is expected to bring 48,750 acres under agreement. This would be accomplished through the signing of 390 agreements with land owners.

JUSTIFICATION OF DECREASE

A decrease of \$8,371,000 for Water Bank Program payments to landowners and operators (\$8,371,000 available in fiscal year 1988).

Need for Change. Due to the need to reduce the Federal deficit, no funding is proposed for this program. The major program thrust for waterfowl habitat protection is in the Department of the Interior, which has a dedicated source of funding for waterfowl habitat preservation authorized by the Migratory Bird Conservation Act.

Nature of Change. No additional acreage will be brought under agreement in fiscal year 1989. Expiring contracts will not be renewed, and payment rates on 5-year-old contracts will not be increased. Existing agreements through 1997 will be honored.

The following tables show (a) outlays for fiscal year 1987 and (b) geographic breakdown of obligations for fiscal years 1987-89.

## Water Bank Program

## Fiscal Year 1987 Outlays by State

State	Outlays
Arkansas	\$434,499
California	441,641
Louisiana	437,368
Maine	38,021
Michigan	95,192
Minnesota	1,882,314
Mississippi	526,182
Montana	285,436
Nebraska	167,597
North Dakota	3,252,333
South Dakota	1,422,303
Wisconsin	529,724
SCS Tech. Assistance	5,976
<b>TOTAL</b>	<b>\$9,518,586</b>

Geographic Breakdown of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Arkansas	\$540,762	\$528,929	--
California	664,249	447,211	--
Louisiana	261,660	767,876	--
Maine	-1,545	19,340	--
Michigan	-742	32,379	--
Minnesota	2,586,848	2,267,216	--
Mississippi	855,127	689,396	--
Montana	142,610	205,830	--
Nebraska	188,262	222,311	--
North Dakota	4,313,578	3,586,805	--
South Dakota	806,034	1,498,334	--
Wisconsin	405,677	373,711	--
Subtotal	10,762,520	10,639,338	--
SCS Tech. Assistance	20,000	--	--
Total, Available or Estimate	\$10,782,520	\$10,639,338	--

NOTE: Negative obligations represent deobligation of prior years' funds.

## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Emergency Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 401, 402, and 404 of Title IV of the Agricultural Credit Act of 1978 (16 U.S.C. 2201-2205), \$1,000,000, to remain available until expended, as authorized by 16 U.S.C. 2204.]

The change deletes the appropriation language for the Emergency Conservation Program since no funds are requested for this program in fiscal year 1989.

Emergency Conservation Program

Appropriation Act, 1988 .....	\$1,000,000
Budget Estimate, 1989 .....	--
Decrease in Appropriation .....	<u><u>-\$1,000,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Emergency cost-sharing and technical assistance to farmers .....	<u>\$1,000,000</u>	<u>-\$1,000,000</u>	<u>--</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Emergency cost-sharing and technical assistance to farmers .....	\$10,000,000	\$1,000,000	-\$1,000,000	--
Total, appropriation or estimate .....	<u>\$10,000,000</u>	<u>\$1,000,000</u>	<u>-\$1,000,000</u>	<u>--</u>

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Emergency cost-sharing and technical assistance to farmers .....	\$5,400,386	\$13,948,406	-\$13,948,406	--
Unobligated balance brought forward from prior years .	-8,348,792	-12,948,406	+12,948,406	--
Unobligated balance carried forward to next year .....	12,948,406	--	--	--
Total, appropriation or estimate .....	<u>\$10,000,000</u>	<u>\$1,000,000</u>	<u>-\$1,000,000</u>	<u>--</u>

### EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Agricultural Credit Act of 1978 (P.L. 95-334). Under the program the Government shares the cost of carrying out approved practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

Assistance is available when, as a result of wind, floods, hurricanes or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Also, payments may be made to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Deputy Administrator, State and County Operations, ASCS.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster, and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveling or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures.

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC5 are subject to approval by the ASC county committee. Practices EC6 and EC7 additionally require prior approval by the Deputy Administrator, State and County Operations.

The 1988 program is expected to rehabilitate approximately 60,700 acres of farmland damaged by natural disaster.

### JUSTIFICATION OF DECREASE

A decrease of \$1,000,000 for Emergency Conservation Program payments for cost-sharing and technical assistance to farmers (\$1,000,000 available in fiscal year 1988).

Need for Change. Carryover funds from fiscal year 1987 are currently available to assist farmers with damage from recent natural disasters. Since no additional needs are known at this time and because of the need to reduce the Federal deficit, no funding is proposed for this program in FY 1989.

Nature of Change. No new activity will be initiated under this program in FY 1989. Existing contracts for which funds were previously obligated will be honored.

The following tables show (a) outlays by State, fiscal year 1987 and (b) geographic breakdown of obligations for fiscal years 1987-89.

Emergency Conservation Program  
Fiscal Year 1987 Outlays by State

State	Outlays
Alabama	\$15,981
California	1,176,763
Colorado	179,273
Connecticut	3,360
Georgia	171,644
Hawaii	511
Idaho	127,004
Illinois	76,170
Indiana	5,723
Iowa	212,468
Kansas	68,003
Maine	280,981
Maryland	8,500
Massachusetts	85,481
Michigan	457,125
Mississippi	34,685
Missouri	229,228
Montana	385,545
Nebraska	76,338
Nevada	115,718
New Hampshire	31,508
New Jersey	440
New Mexico	65,865
New York	95,920
Ohio	30,980
Oklahoma	197,395
Oregon	23,258
Pennsylvania	7,982
South Carolina	33,723
South Dakota	64,877
Texas	—
Utah	13,589
Vermont	16,281
Virginia	122,594
Washington	26,430
West Virginia	257,686
Wisconsin	2,614
Wyoming	—
Undistributed	-45,049
TOTAL	\$4,656,594



Emergency Conservation Program  
Geographic Breakdown Of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Alabama	\$23,407	\$71,593	--
Arizona	-3,500	--	--
California	803,553	848,498	--
Colorado	57,080	20,877	--
Connecticut	14,049	10,952	--
Georgia	173,296	--	--
Hawaii	35,389	141,125	--
Idaho	408,476	80,304	--
Illinois	73,690	9,000	--
Indiana	-17	--	--
Iowa	321,907	985,488	--
Kansas	135,502	114,498	--
Louisiana	--	495,000	--
Maine	367,872	141,856	--
Maryland	4,500	--	--
Massachusetts	184,635	45,545	--
Michigan	428,629	441,222	--
Mississippi	20,357	29,643	--
Missouri	621,993	366,847	--
Montana	908,854	336,293	--
Nebraska	190,354	301,050	--
Nevada	-14,885	1,523	--
New Hampshire	32,788	22,212	--
New Jersey	-3,861	--	--
New Mexico	77,514	15,000	--
New York	101,671	46,880	--
North Dakota	--	100,000	--
Ohio	22,821	237,037	--
Oklahoma	495,864	234,136	--
Oregon	45,805	135,237	--
Pennsylvania	6,890	10,042	--
South Carolina	33,723	--	--
South Dakota	5,273	17,254	--
Texas	--	317,300	--
Utah	6,139	59,531	--
Vermont	34,364	30,636	--
Virginia	-25,590	97,232	--
Washington	-15,480	27,500	--
West Virginia	-167,847	--	--
Wisconsin	-4,829	11,890	--
Wyoming	--	--	--
Undistributed	--	8,145,205	--
Subtotal (includes SCS Tech. Assistance)	5,400,386	13,948,406	--
Total, Available or Estimate	\$5,400,386	\$13,948,406	--

NOTE: Negative obligations represent deobligation of prior years' funds.



## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows  
(deleted matter enclosed in brackets):

Forestry Incentives Program

[For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), including technical assistance and related expenses, \$11,891,000, to remain available until expended, as authorized by that Act.]

The change deletes the appropriation language for the Forestry Incentives Program since no funds are proposed for this program in fiscal year 1989.

Forestry Incentives Program

Appropriations Act, 1988.....	\$11,891,000
Budget Estimate, 1989 .....	—
Decrease in Appropriation .....	<u><u>-\$11,891,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners ....	<u>\$11,891,000</u>	<u>-\$11,891,000</u>	<u>—</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners	\$11,891,000	\$11,891,000	-\$11,891,000	—
Total, appropriation or estimate .....	\$11,891,000	\$11,891,000	-\$11,891,000	—

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to landowners .	\$11,925,245	\$13,571,254	-\$13,605,097	--
Unobligated balance brought forward from prior years .	-1,714,499	-1,680,254	+1,680,254	--
Unobligated balance carried forward to next year .....	1,680,254	--	--	--
Total, appropriation or estimate .....	\$11,891,000	\$11,891,000	-\$11,891,000	—

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Cooperative Forestry Assistance Act of 1978. Its purpose is to encourage the development, management, and protection of nonindustrial, private forest lands to increase the production of timber and enhance other forest resources.

The program is carried out through annual and long-term cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees.

Under the 1988 program, cost-sharing and technical assistance totaling \$11,891,000 will be provided to plant trees on approximately 163,500 acres and to improve timberstand on approximately 38,000 acres of forest.

JUSTIFICATION OF DECREASE

A decrease of \$11,891,000 for cost-sharing and technical assistance to landowners (\$11,891,000 available in fiscal year 1988).

Need for Change. No funding is proposed for this program in 1989 due to the need to reduce the Federal deficit. Also this proposal is consistent with the Administration's policy of privatization since the potential for a long-term timber shortage has been reduced and is not sufficient to justify the current use of scarce Federal resources in an industry where the rate of return on investment is substantial enough to attract private investors.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1987 and (b) geographic breakdown of obligations for fiscal years 1987-89.

Forestry Incentives Program  
Fiscal Year 1987 Outlays by State

State	Outlays
Alabama	\$760,365
Arizona	1,392
Arkansas	509,692
California	51,231
Colorado	12,357
Connecticut	1,500
Delaware	61,979
Florida	891,385
Georgia	1,015,834
Idaho	52,970
Illinois	33,423
Indiana	68,005
Iowa	10,584
Kansas	4,460
Kentucky	66,560
Louisiana	611,365
Maine	28,131
Maryland	126,062
Massachusetts	30,040
Michigan	84,345
Minnesota	64,348
Mississippi	484,396
Missouri	47,716
Montana	7,012
Nebraska	634
New Hampshire	42,675
New Jersey	1,631
New Mexico	855
New York	73,424
North Carolina	481,246
North Dakota	-1,698
Ohio	148,795
Oklahoma	56,568
Oregon	494,146
Pennsylvania	39,054
Puerto Rico	17,064
Rhode Island	3,001
South Carolina	839,386
South Dakota	18,706
Tennessee	93,849
Texas	451,366
Vermont	38,243
Virginia	702,552
Washington	279,225
West Virginia	67,900
Wisconsin	159,678
Wyoming	50,588
Undistributed	-1,190,476
ASCS, Subtotal	7,893,564
FS Technical Assistance	1,189,100
TOTAL	\$9,082,664



Forestry Incentives Program  
Geographic Breakdown of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Alabama	\$823,080	\$1,402,597	--
Arizona	-5,788	6,209	--
Arkansas	692,313	721,929	--
California	113,935	268,418	--
Colorado	5,442	34,515	--
Connecticut	5,418	28,068	--
Delaware	121,791	37,138	--
Florida	950,251	1,198,992	--
Georgia	1,324,442	1,237,265	--
Idaho	7,333	59,905	--
Illinois	28,325	66,530	--
Indiana	61,173	109,275	--
Iowa	18,314	25,037	--
Kansas	1,232	14,918	--
Kentucky	68,237	80,422	--
Louisiana	727,391	618,364	--
Maine	47,839	44,458	--
Maryland	131,838	151,702	--
Massachusetts	30,427	45,969	--
Michigan	71,340	94,513	--
Minnesota	72,399	131,882	--
Mississippi	774,637	751,636	--
Missouri	41,890	67,793	--
Montana	7,584	23,609	--
Nebraska	-23,393	34,257	--
Nevada	2	4,854	--
New Hampshire	32,424	55,109	--
New Jersey	-604	25,488	--
New Mexico	-8,366	33,422	--
New York	56,829	89,907	--
North Carolina	674,503	670,175	--
Ohio	148,171	154,086	--
Oklahoma	37,089	127,958	--
Oregon	445,006	528,842	--
Pennsylvania	81,579	121,323	--
Puerto Rico	26,228	34,273	--
Rhode Island	3,331	11,829	--
South Carolina	1,017,685	1,045,830	--
South Dakota	10,842	17,157	--
Tennessee	171,616	124,359	--
Texas	555,072	581,241	--
Vermont	40,647	27,168	--
Virginia	716,656	764,466	--
Washington	336,914	351,495	--
West Virginia	49,342	55,388	--
Wisconsin	161,906	223,091	--
Wyoming	52,626	79,292	--
Undistributed	-89	--	--
ASCS, Subtotal	10,706,859	12,382,154	--
FS Technical Assistance	1,218,386	1,189,100	--
Total, Available or Estimate	\$11,925,245	\$13,571,254	--

NOTE: Negative obligations represent deobligation of prior years' funds.



Rural Clean Water Program

Appropriation Act, 1988 .....	--
Budget Estimate, 1989 .....	--
Change in Appropriation .....	<u>--</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers .....	<u>--</u>	<u>--</u>	<u>--</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Change</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers ...	--	--	--	--
Total, appropriation or estimate .....	--	--	--	--

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Cost-sharing and technical assistance to farmers ....	-\$3,785,767	\$416,221	\$-416,221	--
Unobligated balance brought forward from prior years .	-2,630,454	-416,221	+416,221	--
Unobligated balance rescinded .....	6,000,000	--	--	--
Unobligated balance carried forward to next year .....	416,221	--	--	--
Total, appropriation or estimate .....	--	--	--	--

EXPLANATION OF PROGRAM

The experimental Rural Clean Water Program is authorized by the Agriculture, Rural Development and Related Agencies Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528).

The purpose of the program is to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. It provides long-term financial and technical assistance to landowners and operators to improve water quality and meet water quality goals. Under the program, participants agree to install and maintain practices as specified in an approved water quality plan. The effectiveness of the practices in reducing identified pollutants entering a stream or lake or leaving their source is evaluated.

Federal technical assistance is provided by the Soil Conservation Service, Forest Service, Economic Research Service, and the Environmental Protection Agency. Nonfederal technical assistance is provided by local agencies and/or conservation districts.

The experimental program encompasses 21 project areas, which contain a multiplicity of pollution-causing materials (nutrients/fertilizers, toxics/pesticides, organics/bacteria, sediment, dissolved solids, etc.). Recommended project areas were developed by local and State committees and approved by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency.

Full funding is provided for all projects on a current dollar basis. Application of the construction cost index (from the Department of Commerce Composite of Construction Cost Index, Bureau of the Census, Construction Statistics Division) to the original approvals is used to project future budgetary requirements. Due to a decline in the inflation rate from 15 percent to 5 percent, and also to a lower level of farmer participation, revised cost estimates, assuming a relatively stable inflation rate, indicated that approximately \$64 million was sufficient to complete the 21 RCWP projects. Therefore, in FY 1987 a rescission of \$6 million was enacted (P.L. 100-71), reducing available funds provided in fiscal years 1980 and 1981 from \$70 million to \$64 million.

The following tables show (a) outlays by State, fiscal year 1987, (b) estimated costs by project, and (c) geographic breakdown of obligations for fiscal years 1987-1989.

Rural Clean Water Program  
Fiscal Year 1987 Outlays by State

State	Outlays
Alabama	\$101,791
Delaware	26,772
Florida	289,338
Idaho	429,340
Illinois	328,200
Iowa	22,531
Kansas	119,337
Kentucky	88,511
Louisiana	271,222
Maryland	585,819
Massachusetts	16,148
Michigan	224,679
Minnesota	345,552
Nebraska	359,002
Oregon	683,977
Pennsylvania	469,888
South Dakota	323,114
Tennessee	768,280
Utah	2,777
Vermont	471,696
Virginia	274,131
Wisconsin	155,510
Undistributed	123,320
<b>TOTAL</b>	<b>\$6,480,935</b>

Rural Clean Water Program  
Geographic Breakdown of Obligations  
Fiscal Year 1987 and Estimated Fiscal Years 1988 and 1989

State	1987 Actual	1988 Estimated	1989 Estimated
Alabama	\$17,363	-\$123,221	--
Delaware	-154,729	-71,116	--
Florida	-2,376	635,840	--
Idaho	246,834	--	--
Illinois	11,717	65,000	--
Iowa	--	--	--
Kansas	7,917	-55,000	--
Kentucky	1	-86,375	--
Louisiana	--	-360,131	--
Maryland	-5,166,536	--	--
Massachusetts	-81,000	-175,000	--
Michigan	--	-232,550	--
Minnesota	493	221,226	--
Nebraska	-1	--	--
Oregon	880,000	100,000	--
Pennsylvania	-63,273	100,000	--
South Dakota	-67,932	-210,000	--
Tennessee	-3,936	-11,000	--
Utah	--	--	--
Vermont	1	--	--
Virginia	3,000	-91,000	--
Wisconsin	-2,609	-206,573	--
Undistributed:	589,299	916,121	--
Sub-total	-3,785,767	416,221	--
Rescission	6,000,000 1/	--	--
Total, Available or Estimate	-\$416,221	\$416,221	--

1/ Included -\$2,630,454 from prior year unobligated balances.

NOTE: Negative obligations represent deobligation of prior year obligations.



## Rural Clean Water Program Projects

<u>Project</u>	<u>Location</u>	<u>Estimated Costs</u>	<u>Status</u>
Lake Tholocco	Alabama	\$1,847,136	Implemented in 1980. 80% of its critical acres and 91% of its best management practice (BMP) funds are under contract.
Appoquinimink	Delaware	946,126	Implemented in 1980. 87% of its critical acres and 94% of its BMP funds are under contract.
Taylor Creek-Nubbin Slough	Florida	2,294,566	Implemented in 1981. 87% of its critical acres and 88% of its BMP funds are under contract.
Rock Creek	Idaho	5,538,652	Implemented in 1980. 74% of its critical acres and 82% of its BMP funds are under contract. Selected as one of five comprehensive monitoring and evaluation (CM&E) projects.
Highland Silver Lake	Illinois	3,940,993	Implemented in 1980. 82% of its critical acres and 93% of its BMP funds are under contract. A CM&E project.
Prairie Rose Lake	Iowa	756,301	Implemented in 1980. 83% of its critical acres and 89% of its BMP funds are under contract.
Upper Wakarusa	Kansas	2,147,126	Implemented in 1980. Has been terminated.
Reelfoot Lake	Kentucky	922,180	Implemented in 1980. 64% of its critical acres and 90% of its BMP funds are under contract.
Bonne Idee	Louisiana	5,149,063	Implemented in 1980. 74% of its critical acres and 99% of its BMP funds are under contract.
Double Pipe Creek	Maryland	7,426,934	Implemented in 1980. 100% of its critical acres and 97% of its BMP funds are under contract.
Westport River	Massachusetts	675,370	Implemented in 1981. 61% of its critical acres and 65% of its BMP funds are under contract.
Saline Valley	Michigan	2,849,644	Implemented in 1980. 32% of its critical acres and 82% of its BMP funds are under contract.

<u>Project</u>	<u>Location</u>	<u>Estimated Costs</u>	<u>Status</u>
Garvin Brook	Minnesota	1,209,172	Implemented in 1981. 61% of its critical acres and 95% of its BMP funds are under contract.
Long Pine Creek	Nebraska	2,639,200	Implemented in 1981. 79% of its critical acres and 71% of its BMP funds are under contract.
Tillamook Bay	Oregon	5,442,923	Implemented in 1981. 98% of its critical acres and 98% of its BMP funds are under contract.
Conestoga Headwaters	Pennsylvania	3,943,631	Implemented in 1981. 37% of its critical acres and 85% of its BMP funds are under contract. A CM&E project.
Oakwood-Lake Poinsett	South Dakota	3,498,494	Implemented in 1981. 56% of its critical acres and 73% of its BMP funds are under contract. A CM&E project.
Reelfoot Lake	Tennessee	2,115,233	Implemented in 1980. 64% of its critical acres and 99% of its BMP funds are under contract.
Snake Creek	Utah	358,487	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.
St. Albans Bay	Vermont	4,454,011	Implemented in 1980. 74% of its critical acres and 74% of its BMP funds are under contract. A CM&E project.
Nansemond-Chuckatuck	Virginia	2,315,519	Implemented in 1981. 78% of its critical acres and 94% of its BMP funds are under contract.
Lower Manitowoc	Wisconsin	2,526,239	Implemented in 1980. 58% of its critical acres and 88% of its BMP funds are under contract.
Subtotal		63,997,000 1/	
Technical Assistance, National Association of Conservation Districts		<u>3,000</u>	
GRAND TOTAL		<u><u>\$64,000,000</u></u>	

1/ Includes funds for best management practices, information and education, Federal and nonfederal technical assistance, and comprehensive monitoring and evaluation.

## PASSENGER MOTOR VEHICLES

The 1989 Budget Estimates do not propose any purchases or replacements of passenger motor vehicles.

The passenger motor vehicles are used primarily by the ASCS County Executive Directors in Puerto Rico and Hawaii. Because of the mountainous areas, a great number of farms cannot be reached by paved roads and access to such farms are mainly dirt roads or paths. During the rainy seasons such farms are inaccessible except for four-wheel drive vehicles. Even under more favorable conditions in Puerto Rico and Hawaii, jeeps are needed to reach the fields on individual farms.

Without adequate vehicles, essential farmer contact necessitated by program requirements cannot be maintained by the ASCS county offices.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1987 are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>			<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1987-2 Jeep (Cherokee)	4	100	Under 25	4	100



## COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly-owned Government corporation created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, including products, foods, feeds, and fibers; and to help in the orderly distribution of these commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the programs; and set-aside or acreage reduction, loan deficiency, deficiency, disaster, and/or diversion payment programs for feed grains, wheat, rice, and cotton; certificate programs; a conservation reserve program; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480), which are financed by appropriations authorized by statutes providing for these activities. Under section 4(a) of the Food for Peace Act of 1966, as amended, CCC may finance short-term export credit sales on credit terms not to exceed three years under the Export Credit Sales Program. The Corporation is also authorized by section 4(b) of the Food for Peace Act of 1966, as amended, to finance intermediate-term export credit sales in excess of three years, but not more than 10 years. The Corporation is also authorized under its charter authority to enter into export guarantee financing arrangements with respect to exported commodities.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States with the advice and consent of the Senate. Officers of the Corporation are designated according to their positions in the Department of Agriculture. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The General Sales Manager, the Foreign Agricultural Service, other agencies and offices of the Department, and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field offices.

The ASC State and county committees carry out certain support and related activities of the Corporation within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

## FINANCING

Borrowing Authority

The Corporation has an authorized capital stock of \$100 million held by the United States, with the authority to have outstanding borrowings of up to \$30 billion at any one time. P.L. 95-279, approved May 15, 1978, increased the statutory borrowing authority to \$25 billion, to the extent provided in appropriation acts. The fiscal year 1982 supplemental appropriation act, P.L. 97-257, increased the availability to \$25 billion. The fiscal year 1988 appropriation act, P.L. 100-202, increased the statutory borrowing authority to \$30 billion.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4). Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Commodity Credit Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

AppropriationsReimbursement for net realized losses

Under Public Law 87-155 (15 U.S.C. 713a-11, 713a-12), annual appropriations were authorized for each fiscal year, commencing with fiscal year 1961, to reimburse the Corporation for net realized losses. The Omnibus Budget Reconciliation Act of 1987 amended Public Law 87-155 to authorize that the Corporation be reimbursed for its net realized losses by means of a current, indefinite appropriation.



Operating Expenses

Under Public Law 100-202, enacted December 22, 1987, CCC was provided an appropriation for Operating Expenses in fiscal year 1988 in lieu of the long-standing appropriation for Net Realized Losses. The appropriation is subdivided into specific spending authorizations for 17 individual CCC programs and activities, and includes authority to transfer up to 7 percent of the amount available for any program to any other program in accordance with existing law.

National Wool Act

Under section 705 of the National Wool Act, as amended (7 U.S.C. 1781-1787), a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding fiscal year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70 percent of the gross receipts from duties collected on wool and wool manufactures during the calendar year preceding the fiscal year.

## Available Funds: 1987 Actual and Estimated 1988 and 1989

Item	1987 Actual	1988 Estimated	1989 Estimated
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses.....	\$25,361,995,000	---	\$9,828,286,000 <sup>a/</sup>
Operating expenses.....	---	\$21,133,658,000	---
Total support and related...	25,361,995,000	21,133,658,000	9,828,286,000
Reimbursement to CCC,			
National Wool Act.....	122,689,000	152,130,000	124,925,000
Total Commodity Credit Corporation	\$25,484,684,000	\$21,285,788,000	9,953,211,000

a/ Proposed to be reimbursed through current, indefinite appropriation from Treasury.

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

(thousands of dollars)

	<u>1987</u>	<u>1988</u>	<u>1989</u>
22 Transportation of things.....	\$537,730	\$600,247	\$420,297
25 Other services.....	1,265,020	880,916	690,737
Storage and handling (including producer storage payments).....	2,003,890	2,327,098	1,439,177
26 Supplies and materials (cost of commodities sold or donated):			
Foreign Assistance Programs.....	1,035,760	1,130,403	1,111,006
Other.....	11,549,939	12,604,355	8,817,103
31 Equipment.....	36,970	52,750	14,500
33 Investments and loans.....	17,044,394	15,023,698	11,451,387
41 Grants, subsidies, and contributions	4,547,657	3,689,276	6,072,200
43 Interest and dividends.....	<u>1,227,063</u>	<u>1,600,269</u>	<u>1,170,179</u>
99 Total obligations.....	<u><u>39,248,423</u></u>	<u><u>37,909,012</u></u>	<u><u>31,186,586</u></u>

## COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

1 [Operating Expenses] Reimbursement For Net Realized Losses

[Notwithstanding any other provision of law, for operating expenses as authorized by the Charter of the Commodity Credit Corporation (15 U.S.C. 714) to be available for financing the Corporations' programs and activities only as follows:

Deficiency payments.....	\$6,116,000,000
Export guarantee loan claims.....	711,386,000
Commodity purchases.....	1,150,875,000
Crop insurance.....	200,000,000
Storage and handling payments.....	1,343,166,000
Transportation of commodities.....	185,464,000
Processing and packaging of commodities.....	105,065,000
Producer storage payments.....	609,801,000
Loan collateral settlements.....	142,236,000
Whole herd buy out payments (dairy termination program)	218,000,000
Interest payments to the United States Treasury.....	1,468,860,000
Working capital.....	1,500,000,000
Prior year losses.....	1,422,400,000
Other expenses.....	5,292,046,000
Operating expenses.....	541,691,000
Special activities (wool program).....	126,108,000
Support of advisory committees or commissions, including travel or per diem expenses.....	560,000

Provided, that such provisions shall not interfere with the Commodity Credit Corporation's discharge of its corporate responsibilities. Provided further, that not to exceed 7 per centum of the funds made available for any program or activity may be transferred to another program or activity as provided by existing law. Provided further, that notwithstanding any other provision of law the Commodity Credit Corporation shall pay an interest penalty, determined on the basis of the provisions of the Prompt Payment Act (31 U.S.C. 3901 et seq.) on the amount of all payments and price support loans which the Commodity Credit Corporation is obligated to make if payment is not made by the required payment date. This provision shall be applicable to all such payments for obligations incurred after

2 January 1, 1988.] For fiscal year 1989, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained or anticipated, but not previously reimbursed, pursuant to Section 2 of the Act of August 17, 1961, as amended (15 U.S.C. 713a-11), and in accordance with Section 1506(b) of Public Law 100-203.

3 [Increase In Borrowing Authority]

[Section 4(i) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(i) is amended by striking out "\$25,000,000,000" and inserting in lieu thereof "\$30,000,000,000".

Section 4 of the Act of March 8, 1938 (15 U.S.C. 713a-4) is amended by striking out "\$25,000,000,000" and inserting in lieu thereof "\$30,000,000,000".]

### Short-Term Export Credit

- 4 The Commodity Credit Corporation shall make available not [less] more than \$5,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1125(b) of the Food Security Act of 1985 (Public Law 99-198).

### Intermediate Export Credit

- 5 The Commodity Credit Corporation shall make available not [less] more than \$500,000,000 in credit guarantees under its export guarantee program for intermediate-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1131(3)(B) of the Food Security Act of 1985 (Public Law 99-198).

The first change proposes deletion of the "Operating Expenses" appropriation and the seventeen authorizations included in the fiscal year 1988 "Operating Expenses" appropriation language in order to restore the long-standing flexibility characteristic of CCC farm price support program administration over the past 50 years. The current spending authorizations do not sufficiently recognize the timing and other fluctuations in CCC outlays and receipts. For example, season average prices for commodities eligible for deficiency payments may change significantly based on weather and changing market conditions from those prices initially used to determine deficiency payment estimates and hence, the spending authorization. Higher than anticipated deficiency payments could result in program administration changes and method of payment decisions based solely on the need to comply with the deficiency payment authorization. Furthermore, both CCC outlays and receipts are subject to major changes based on decisions by thousands of producers, whose own decisions, in turn, are affected by such variable factors as world and domestic economic conditions, prices and stocks.

The 7 percent reprogramming authority in the current language is well below the historical variance in budget estimates compared to actual performance for most major CCC spending categories. It therefore does not mitigate the compliance and reporting burden placed on ASCS of attempting to track volatile, mandatory entitlement outlays against preset authorizations.

Operationally, the implementation of the language in the Appropriations Act for fiscal year 1988 required the creation of a new management information system and modifications to CCC accounting systems for tracking CCC outlays by program activity on a monthly basis, to ensure conformance to the spending authorizations. Furthermore, the realized loss appropriation was used to restore the capital impairment of the Corporation in addition to meeting the cash flow needs of the Corporation. While the Operating Expenses appropriation also meets the cash flow needs of CCC, it greatly complicates the calculation of capital restoration.

The change also proposes deletion of prompt payment provisions which require CCC to "pay an interest penalty, determined on the basis of the provisions of the Prompt Payment Act (31 U.S.C. 3901, et seq.), on the amount of all payments and price support loans which the Commodity Credit Corporation is obligated to make if payment is not made by the required payment date." There are no specified "required payment date(s)" for the making of price support loans and other farm program payments from which computation of interest due on so-called delayed payments can be determined. CCC is implementing measures to comply with procedures of the Prompt Payment Act. Extending the Prompt Payment Act's coverage to price support loans and other farm program payments is an unnecessary extension of the Prompt Payment Act. By requiring that ASCS county offices comply with the Prompt Payment Act, even though there is rarely a problem with making timely farm program payments to producers from these offices when CCC has funds available, the flexibility of local ASCS officials to administer farm programs to best meet the needs of their communities is restricted. This defeats one of the primary purposes for which the ASCS state and county office system was established.

The second change proposes a current, indefinite appropriation to reimburse the Corporation for net realized losses sustained or anticipated. This current, indefinite appropriation is authorized in Section 1506(b) of the Omnibus Budget Reconciliation Act of 1987. This appropriation is for activities that have or will be accomplished under mandatory authorizing legislation and would allow CCC to carry out its mandatory price-support operations and avoid costly disruptions caused by CCC shutdowns in the recent past due to a lack of sufficient operating funds.

The third change deletes references to the one-time increase in CCC borrowing authority from \$25 billion to \$30 billion enacted in fiscal year 1988. No further increase is proposed in fiscal year 1989.

The fourth change is proposed to eliminate the floor for the short-term export credit guarantee program and establish the maximum guarantee program level at \$5,000,000,000.

The fifth change is proposed to eliminate the floor for the intermediate-term export guarantee program and establish the maximum guarantee program level at \$500,000,000.

Reimbursement for Net Realized Losses

Appropriation Act, 1988.....	---
Budget Estimate, 1989.....	\$9,828,286,000
Increase in Appropriation.....	<u>+9,828,286,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Change</u>	<u>1989 Estimated</u>
TOTAL AVAILABLE.....	<u>--</u>	<u>+\$9,828,286,000</u>	<u>\$9,828,286,000</u> <sup>a/</sup>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Item</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase</u>	<u>1989 Estimated</u>
Reimbursement of losses:				
Appropriation.	\$25,361,995,000	---	+\$9,828,286,000	\$9,828,286,000 <sup>a/</sup>

<sup>a/</sup> Proposed to be reimbursed through current, indefinite appropriation from Treasury.



Operating Expenses

Appropriation Act, 1988.....	\$21,133,658,000
Budget Estimate, 1989.....	---
Decrease in Appropriation.....	<u><u>-\$21,133,658,000</u></u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Change</u>	<u>1989 Estimated</u>
Operating Expenses....	\$21,133,658,000	-\$21,133,658,000	---

PROJECT STATEMENT  
(On basis of appropriation)

<u>Item</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
Operating expenses:				
Appropriation.....	---	\$21,133,658,000	-\$21,133,658,000	---

EXPLANATION OF PROGRAMUSDA Goals and Objectives

The USDA goal is to promote economic stability in the farm sector so that farmers and ranchers can earn a fair rate of return in the market place; and thereby assure supplies of agricultural products which are adequate to meet domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through an approach that retains basic management responsibilities of farmers, provides for the maintenance of adequate food reserves, provides prices reasonable to consumers and competitive in world markets, and minimizes Federal interference in the agricultural economy.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

- A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.
1. Its functions are performed primarily by ASCS employees.
  2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also the processes used in formulating and executing the overall U.S. Budget.
  3. Its operations are closely related to and affected by the operations of other programs financed from other funds - such as Section 32 and School Lunch Programs, and commodity donations under Title II of P.L. 480.
  4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.

Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

- B. CCC operations are unique in many ways.

1. The primary aim of CCC is to assist in stabilizing, supporting, and protecting farm income and prices and to help maintain balanced and adequate supplies of agricultural commodities.
2. CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:
 

a. Buying	d. Donating	g. Transporting
b. Selling	e. Lending	h. Making payments
c. Bartering	f. Storing	i. Other activities
3. The major activity is support of prices as required or authorized by existing law.
  - a. Under existing law, support of farm prices is accomplished through nonrecourse loans (regular and reserve), payments (in cash, commodity certificate and in-kind), and purchases from farmers or processors.

- b. Under existing law, CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, barley, oats, rye, grain sorghum, sugar, and soybeans at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside or acreage reduction provisions, if in effect. Income support in the form of direct payments is also required by law to be available to wool and mohair producers, as well as to feed grain, wheat, cotton and rice growers.
  - c. In addition, CCC may support the prices of other commodities at the discretion of the Secretary.
- 4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. This in turn is determined by weather conditions, insect damage, use of fertilizers, and all other factors influencing production, and by already existing supplies, domestic and export demand, and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.
- 5. CCC also carries out storage facilities activities through contracts with warehousemen, commodity export programs, and other activities. Support operations and resultant inventory management account for the bulk of the total workload.
- 6. The President's Budget estimates incorporate changes for the 1988 through 1990 crops mandated by the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), enacted December 22, 1987. Among these changes are a decrease in the 1988 and 1989 target prices of 1.4 percent, adjustments to the 1988 and 1989 crop loan rates, a 10 percent paid diversion program for feed grains and a required reduction in storage and handling and transportation costs for fiscal years 1988 and 1989 combined. The Act also requires advance deficiency payments for the 1988 through 1990 crops and provides for a new program for wheat and feed grains, the "0/92" program, which would eliminate the planting of the program crop as a requirement to receive deficiency payments. Budget savings attributable to the Reconciliation Act are projected at \$2.5 billion over fiscal years 1988 and 1989 as compared to costs estimated in the Mid-Session Review of the President's 1988 budget.

A legislative proposal to modify the sugar price support program to reduce government interference in trade is also included in the President's Budget request. Current domestic sugar policy runs counter to the administration's objectives of a more market-oriented agricultural sector of the economy, and conflicts with U.S. international interests and objectives.

#### 7. Conservation Reserve Program

Up to 45 million acres of highly erodible land are authorized for protection under the CRP. In exchange for entering land into the reserve, program participants receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing

vegetative cover on the reserve acreage. During fiscal year 1987, approximately 14.7 million 1987 and 1988 crop acres were enrolled in the reserve. Enrollment of approximately 5.9 million acres is anticipated in fiscal year 1988 for crop year 1988, making total participation for crop years 1986 through 1988 about 29 million acres. Also, additional acres may be enrolled in advance during fiscal year 1988 for crop year 1989.

The following table provides a summary of enrollment by crop year:

<u>Crop Year</u>	<u>Enrollment</u> (in million acres)
1986	2.0
1987	13.8
1988	<u>13.0</u>
Total	28.8

Cash outlays for the CRP in fiscal year 1988 are projected at approximately \$1.086 billion--\$1.066 billion for the Federal share of vegetative cover costs for acreage signed up for crop years 1986 through 1988, and \$20 million for the technical services of the Soil Conservation Service, Forest Service and other appropriate agencies. Rental payments of \$778 million on the 15.8 million 1986 and 1987 crop acres enrolled in fiscal years 1986 and 1987 were paid with CCC commodity certificates early in fiscal year 1988. The following table provides a summary of the program level and expenditures for fiscal years 1986 and 1987, which were funded directly by CCC in accordance with provisions of the Food Security Act of 1985. Additional details on the fiscal years 1988 and 1989 programs, which are funded by a separate appropriation advanced to the CCC, as required by law, are provided under the fiscal year 1989 Conservation Reserve Program request elsewhere in these notes.

Program Level and Expenditures in FY 1986 and 1987.

<u>Item of Change</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Actual</u>
Annual rental payments:		
Cash .....	---	\$131,812
CCC commodity certificates.	---	83,282,784
Total rental payments ....	<u>---</u>	<u>83,414,596</u> <sup>a/</sup>
Cost-sharing assistance ....	\$12,428,878	245,589,195
Technical assistance .....	10,772,234	21,930,033
Total program level .....	<u>23,201,112</u>	<u>350,933,824</u>
Deduct:		
Financing by CCC commodity certificates .....	---	-83,282,784
Liquidated damages.....	<u>-55,190</u>	<u>-626,899</u>
Total expenditures .....	<u>\$23,145,922</u>	<u>\$267,024,141</u>

<sup>a/</sup> Excludes \$326.7 million, a one-time, one-year bonus, paid in CCC commodity certificates for corn base acreage enrolled into the CRP during the first signup of fiscal year 1987.

8. There are several characteristics of CCC operations which are important in analyzing its budget problems and processes.
  - a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others.
  - b. CCC operations involve the handling of millions of documents and transactions during a 12-month period.
  - c. CCC workload cannot be deferred. Commodities must be moved, producer payments must be made, warehouse and freight charges must be paid, claims must be settled, and loans must be made and liquidated.
  - d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.
  - e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers, cooperatives, and others with which business dealings are conducted.
  - f. Trade customs and practices with respect to individual commodities must be observed in operations.
  - g. To support prices, CCC generally makes nonrecourse loans to producers which bear no interest if the borrower does not repay them, and which are fully settled by delivery of the commodity to CCC at maturity of the loans.
  - h. CCC operations are big:
    - (1) The Corporation has an authorized capital stock of \$100 million held by the United States and authority to have outstanding borrowings of up to \$30 billion at any one time. Its capital structure is replenished each year by appropriations, usually to restore realized losses on support operations, and to reimburse costs of other programs. However, in fiscal year 1988, CCC was provided an appropriation for "Operating Expenses" in lieu of the long-standing appropriation to restore realized losses.
    - (2) Its commodity loans and purchases in fiscal year 1987 amounted to \$27.8 billion. \$8.8 billion of total purchases was for commodity certificates transferred from the loan account. These certificate purchases represent a required accounting transaction to show the effect on inventory of certificate payments to producers used to redeem outstanding commodity loans. The associated reduction in outstanding loans is recorded as a loan repayment receipt, which fully offsets the inventory purchase expenditure. Therefore, no net expenditures result from this required certificate accounting treatment. Sales proceeds totaled \$12.0 billion of which \$9.2 billion was for commodity certificates.

Certificate sales proceeds reflect the certificate issuance value, and like certificate purchases, is a required accounting transaction to show the effect on inventory of certificate redemptions. The Corporation had outstanding loans on commodities of \$15.1 billion and owned commodities with a cost value of \$11.7 billion on September 30, 1987.



i. Export Credit Guarantees

Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees for up to 3-year credit terms payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. In fiscal year 1983, CCC instituted the blended credit program which provides for up to 3-year credit terms on a combination of interest-free direct credit under the Export Credit Sales Program (GSM-5) and credit guarantees under the Export Credit Guarantee Program (GSM-102). In fiscal year 1986, an intermediate export credit guarantee program was authorized by the Food Security Act of 1985 for which CCC guarantees exports with credit terms up to 10 years (GSM-103).

Total commitments in fiscal year 1987 were \$2.795 billion for the GSM-102 program and \$.203 billion for the GSM-103 program. As required by the Food Security Act of 1985, the fiscal year 1988 program level is established at \$5 billion for the short-term export credit guarantee program (GSM-102) and \$500 million for the intermediate export credit guarantee program (GSM-103). Proposed legislation is being submitted to Congress to reduce the fiscal year 1989 short-term export credit guarantee program level from the \$5.0 billion mandated by the Food Security Act of 1985 to \$3.0 billion.

j. Direct Export Credit

Under the short-term export credit sales program (GSM-5), CCC provides direct financing on terms not to exceed three years for the commercial sales of agricultural commodities from private stocks. There was no direct credit program in fiscal year 1987 and none is planned for fiscal years 1988 and 1989.

k. Net Expenditures

Commodity Credit Corporation net expenditures for fiscal year 1989, taking into account proposed legislation, are estimated at \$17.1 billion, down \$.5 billion from a level of \$17.7 billion in fiscal year 1988.

The decrease in projected fiscal year 1989 expenditures from the estimated fiscal year 1988 level occurs because feed grain outlays are projected to decrease by \$1.5 billion due to continued strong demand and smaller surplus stocks. Dairy program costs are projected to decrease by \$.3 billion because the lower support rate raises consumption and reduces the net CCC purchases of surplus dairy products. These decreases are partially offset by higher soybean outlays because most of the CCC-owned soybean stocks are projected to be sold in fiscal year 1988, which reduces budgetary receipts in fiscal year 1989. The following table shows CCC net expenditures by commodity or program for fiscal years 1987 through 1989.



## COMMODITY CREDIT CORPORATION

FISCAL YEAR 1989 PRESIDENT'S BUDGETFY 1987 ACTUAL, FY 1988 AND FY 1989 ESTIMATED EXPENDITURES

(thousands of dollars)

Item	FY 1987 ACTUAL	FY 1988 ESTIMATED	FY 1989 ESTIMATED
Corn.....	12,346,287	11,700,298	10,087,612
Grain Sorghum.....	1,203,027	723,639	670,324
Barley.....	394,251	120,034	250,250
Oats.....	17,100	16,962	34,985
Corn Products.....	5,488	6,215	6,251
Oat Products.....	519	677	570
Feed Grains and Products.....	(13,966,672)	(12,567,825)	(11,049,992)
Wheat and Products.....	2,836,342	1,083,108	1,523,676
Rice.....	905,869	189,022	320,191
Upland Cotton.....	1,785,720	41,691	229,498
Tobacco.....	-345,958	-433,146	-323,376
Honey.....	72,612	69,549	55,752
Dairy (includes red meat purchase program)	1,166,343	1,226,941	936,094
Soybeans.....	-475,706	-1,068,541	-304,886
Sugar.....	-64,901	-14,375	---
Peanuts.....	8,290	2,550	1,163
Conservation Reserve Program.....	267,024	---	---
Export Guarantee Program.....	373,168	557,969	530,269
Short-Term & Intermediate Export Credit...	-102,934	-115,960	-32,252
Storage Facility.....	-108,981	-55,212	-9,721
Interest.....	1,219,207	836,462	1,195,941
CCC Operating Expenses.....	541,151	575,168	590,359
Change in Working Capital.....	-744,680	1,500,000	1,000,000
Federal Crop Insurance Corporation (FCIC)			
Transfers 1/.....	750,000	---	100,000
All Other.....	206,502	569,344	143,754
Subtotal, Support and Related.....	22,255,740	17,532,395	17,006,454
Wool.....	152,130	124,925	126,525
TOTAL Net Expenditures, CCC.....	22,407,870	17,657,320	17,132,979
Export guarantee proposed legislation.....	---	---	+6,524
Federal credit reform.....	---	---	+565,284
Adjusted TOTAL Net Expenditures, CCC.....	22,407,870	17,657,320	17,704,787

Minus (-) indicates a net receipt (excess of repayments or other receipts over gross outlays of funds).

1/ Includes a \$300 million expenditure transfer to FCIC for indemnity payments in fiscal year 1987 and a \$450 million loan transferred to FCIC in fiscal year 1986 and reclassified as an expenditure transaction in fiscal year 1987.

Deficiency, Diversion and Disaster Payments

In fiscal year 1987 these direct payments to producers totaled \$11,448.5 million, an increase of \$2,883.4 million from payments issued in fiscal year 1986. Deficiency and diversion payments were made in a combination of cash and CCC commodity certificates in fiscal years 1986 and 1987, as authorized by the Food Security Act of 1985. Estimated payments for fiscal years 1988 and 1989 also include both cash and certificate payments.

The following table shows CCC deficiency, diversion and disaster payments made in cash and certificates for fiscal years 1987 and through 1989.

## COMMODITY CREDIT CORPORATION

## Deficiency, Diversion and Disaster Payments Made in Cash and Certificates

Fiscal Years 1987-1989

(thousands of dollars)

	FY 1987 Actual		FY 1988 Estimate		FY 1989 Estimate	
	Cash	Certificates	Total	Cash	Certificates	Total
Deficiency Payments.....	\$4,832,897	\$4,468,281	\$9,301,178	\$3,698,825	\$7,660,273	\$11,359,098
Diversion Payments.....	382,059	1,208,823	1,590,882	14,675	741,587	756,262
Disaster Payments.....	1	556,469	556,470	---	12,000	12,000
Total.....	5,214,957	6,233,573	11,448,530	3,713,500	8,413,860	12,127,360
				5,833,600	5,883,600	11,717,200

## ADP Activities

ADP in ASCS is integral to the agency's long range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. ASCS recently implemented a national network of computer systems in support of CCC operations. All State and county ASCS offices now utilize computer-based procedures to conduct day-to-day support to producers. This distributed network approach has dramatically reduced the agency's previous dependency upon traditional paper documents and hand prepared forms.

Most farm and producer data are currently maintained on the county office computers and are automatically accessed, used, and updated simultaneously while servicing the producers. Most major program applications are expected to be completed during fiscal year 1988.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production and supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

Contractor assistance is being utilized for developing and implementing the processed commodities inventory system and the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling \$10,584,000 in fiscal year 1989 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan.

CCC funding for mission essential enhancements for SCOAP equipment are estimated at \$5,944,000. Hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, are estimated at \$911,000. The remaining \$3,729,000 is for the purchase of hardware to complete the proposed automation of tobacco marketing sites, and telephones and various peripherals needed to complete automation for Washington and field offices.

JUSTIFICATION OF INCREASES AND DECREASES  
Realized Losses, Fiscal Years 1986 and 1987

Item	Fiscal Year 1986	Increases and Decreases	Fiscal Year 1987
Support and related programs:			
Commodity inventory operations:			
Losses or gain (-) on sales....	\$1,644,184,709	+\$1,514,798,814 (1)	\$3,158,983,523
Domestic donations.....	1,319,408,485	+170,530,952 (2)	1,489,939,437
Export donations.....	399,003,291	-33,184,173 (3)	365,819,118
Storage and handling expense...	712,940,464	+662,831,270 (4)	1,375,771,734
Transportation expense.....	179,378,169	+5,457,710 (5)	184,835,879
Total commodity inventory operations.....	4,254,915,118	+2,320,434,573	6,575,349,691
Loans written off.....	46,843,601	-36,284,784 (6)	10,558,817
Producer storage payments.....	342,247,772	+285,870,259 (7)	628,118,031
FCIC crop indemnity payments.....	---	+450,000,000 (8)	450,000,000
Disaster payments (cash):			
Feed grains.....	1,390	-1,062	328
Wheat.....	3,242	-2,335	907
Rice.....	---	-1,590	-1,590
Upland cotton.....	30,391	-28,961	1,430
Total disaster payments.....	35,023	-33,948 (9)	1,075
Deficiency payments (cash):			
Corn.....	4,780,697,083	-3,186,663,758	1,594,033,325
Grain sorghum.....	533,125,464	-461,722,462	71,403,002
Barley.....	285,619,929	-220,530,913	65,089,016
Oats.....	50,693,354	-79,635,007	-28,941,653
Wheat.....	2,724,380,147	-2,182,714,385	541,665,762
Rice.....	462,765,759	-190,646,633	272,119,126
Upland cotton.....	897,741,066	-275,523,790	622,217,276
Extra long staple cotton.....	1,965,966	-2,334,120	-368,154
Total deficiency pymts.-cash	9,736,988,768	-6,599,771,068 (10)	3,137,217,700
Diversion payments (cash):			
Corn.....	655,692	+354,425,013	355,080,705
Grain sorghum.....	276,049	+29,713,322	29,989,371
Barley.....	19,484	+7,948,151	7,967,635
Oats.....	17,538	+1,976,064	1,993,602
Wheat.....	-3,274,703	+2,819,840	-454,863
Rice.....	-4,329,824	+4,051,526	-278,298
Upland cotton.....	21,070,516	-20,859,234	211,282
Dairy.....	437,232	-632,498	-195,266
Total diversion payments-cash	14,871,984	+379,442,184 (11)	394,314,168
Upl. cotton loan def. pymts (cash)	76,000,000	-90,652,400 (12)	-14,652,400
Rice inventory payments (cash)...	25,355,088	-24,607,216 (13)	747,872
Dairy termination program.....	489,168,026	+149,733,736 (14)	638,901,762
TOTAL CASH PYMTS (9-14 above).	10,342,418,889	-6,185,888,712	4,156,530,177
Deficiency pymts. (certificates):			
Corn.....	1,151,000,000	+3,751,028,332	4,902,028,332
Grain sorghum.....	131,000,000	+306,316,007	437,316,007
Barley.....	62,000,000	+233,319,861	295,319,861
Oats.....	6,100,000	+12,305,141	18,405,141
Wheat.....	747,000,000	+1,956,089,550	2,703,089,550
Rice.....	52,200,000	+257,120,136	309,320,136
Upland cotton.....	170,000,000	+247,760,061	417,760,061
Total deficiency payments (certificates)....	2,319,300,000	+6,763,939,088 (15)	9,083,239,088
Diversion payments (certificates):			
Corn.....	132,399,033	+947,050,363	1,079,449,396
Grain sorghum.....	14,739,060	+78,536,513	93,275,573
Barley.....	8,479,984	+13,347,095	21,827,079
Oats.....	2,982,030	+1,565,762	4,547,792
Wheat.....	209,687,260	-205,242,360	4,444,900
Total diversion payments (certificates)....	368,287,367	+835,257,373 (16)	1,203,544,740



JUSTIFICATION OF INCREASES AND DECREASES (continued)  
Realized Losses, Fiscal Years 1986 and 1987

Item	Fiscal Year 1986	Increases and Decreases	Fiscal Year 1987
Upl. cotton loan def. cert.....	76,478,000	-89,201,337(17)	-12,723,337
Upl. cotton inv. protection cert.	616,000,000	-613,166,526(18)	2,833,474
Upl. cotton first handler cert...	14,019,922	+80,237,521(19)	94,257,443
Rice marketing certificates.....	540,469	+17,670,306(20)	18,210,775
Ethanol plants assistance program	25,176,929	+4,093,071(21)	29,270,000
Emergency feed certif. program...	961,607	+84,526,393(22)	85,488,000
Export enhancement certificates..	9,743,325	+633,237,255(23)	642,980,580
Targeted Export certif. program..	16,144,332	+52,042,668(24)	68,187,000
Disaster Assistance:			
Disaster assistance certificates	---	+556,468,647	556,468,647
Transfer of funds from FmHA.....	---	-400,000,000	-400,000,000
Net disaster assistance	---	+156,468,647(25)	156,468,647
TOTAL CERTIFICATE PAYMENTS, NET (15-25 above) .....	3,446,651,951	+7,925,104,459	11,371,756,410
TOTAL, ABOVE CASH/CERTIFICATE PAYMENTS (9-25 above).....	13,789,070,840	+1,739,215,747	15,528,286,587
Sugar bankruptcy compensation....	17,487,543	-17,426,275(26)	61,268
Emergency feed prog. (non-certif)	34,444	-21,491(27)	12,953
Export enhan. prog. (non-certif).	89,266,033	+85,086,923(28)	174,352,956
Export market promotion program..	6,063,461	-6,211,507(29)	-148,046
Conservation reserve program:			
Cost-share assistance payments	12,428,878	+233,160,317	245,589,195
Technical assistance payments..	12,262,781	+3,578,768	15,841,549
Annual Rental (cash).....	---	+131,812	131,812
Annual rental pymts. (certif.).	86,092,000	+689,098,784	775,190,784
Liquidated damages.....	-55,190	-571,709	-626,899
Corn bonus pymts. (certif.)....	---	+326,686,652	326,686,652
Total conservation reserve...	110,728,469	+1,252,084,624(30)	1,362,813,093
Payment-in-Kind Entitlements.....	24,177,459	-16,040,424(31)	8,137,035
Marketing loan writeoffs:			
Upland cotton.....	---	+107,667,419	107,667,419
Rice.....	205,044,542	+240,377,210	445,421,752
Honey.....	917,866	+20,229,205	21,147,071
Total mkting. loan writeoffs.	205,962,408	+368,273,834(32)	574,236,242
Milk marketing fee collection program:			
Milk marketing fees (PL 97-253)..	-152,242	+72,409	-79,833
Milk marketing fees (PL 98-180)..	31,484	-52,679,583	-141,568
Milk marketing fees (PL 99-198)..	-287,297,410	-89,909,043	-429,712,984
Total milk marketing fees.....	-287,418,168	-142,516,217(33)	-429,934,385
Section 416 export donations			
Ocean transportation.....	19,703,850	+19,148,235(34)	38,852,085
Other program expense (net).....	5,524,013	+49,841,499	55,365,530
Interest (net).....	883,506,356	-321,269,337(35)	562,237,019
Operating expenses (net).....	489,892,728	+105,582,192(36)	595,474,920
Total realized losses.....	19,998,005,945	+6,135,767,851	26,133,773,796

Minus (-) indicates gain or adjustment to prior year.

The above analysis of realized losses covers the difference between the actual 1986 and 1987 losses of the Corporation. There was previously a two-year lag between the year the loss was incurred and the year the appropriation was received to reimburse the CCC for its net realized losses. However, continuing high levels of CCC entitlements and related outlays have accelerated the reimbursement of realized losses to restore CCC's capital impairment. The first continuing



resolution of fiscal year 1987 (P.L. 99-500 and P.L. 99-591) provided \$16,808,806,000 to restore the unreimbursed balance of fiscal year 1986 losses of \$2,405,056,000 and \$14,403,750,000 of anticipated fiscal year 1987 losses. The Omnibus Continuing Resolution of fiscal year 1987 (P.L. 99-591) included an additional \$3,000,000,000 which was applied to another \$3,000,000,000 of fiscal year 1987 losses. The fiscal year 1987 urgent supplemental appropriations act (P.L. 100-71) was applied to another \$5,553,189,000 of fiscal year 1987 losses, leaving \$3,176,835,000 in unrestored fiscal year 1987 losses. The fiscal year 1988 appropriations act appropriated \$21,133,658,000 to CCC for 17 specific uses.

Need for Change. The Budget proposes a current, indefinite appropriation to reimburse the Corporation for net realized losses in fiscal year 1989. This appropriation, authority for which has already been enacted by Congress in the Omnibus Budget Reconciliation Act of 1987, would maintain the flexibility in CCC farm price support program administration characteristic of the Corporation for over 50 years.

Nature of Change.

Explanation of Increases or Decreases in Realized Losses,  
Fiscal Years 1986 and 1987

- (1) An increase of \$1,514,798,814 in losses on sales (\$1,644,184,709 in 1986). This increase primarily reflects the difference in the CCC commodity certificate issuance value versus the CCC book value (generally the acquisition cost). The Food Security Act of 1985, Public Law 99-198 (FSA), authorized the use of certificates as payment to producers under various CCC price support and related programs. These certificates were issued at the current market price for a particular commodity. Certificate holders, in turn, could exercise one of two options: (1) exchange the certificates for any CCC-owned commodity and receive a commodity quantity based on the current market price for that commodity at the time of redemption, or (2) redeem an outstanding CCC loan and receive a commodity quantity also based on the current market price for that commodity at the time of loan redemption. In both cases, a loss was generally realized because the CCC book value, which included redeemed loans transferred to inventory from the loan account, exceeded the certificate issuance value. In fiscal year 1987, CCC-owned commodities valued at \$10,535.4 million were redeemed with certificates valued at \$9,007.3 million. The difference, \$1,528.1 million, represents the loss on certificates. The remaining loss on sales in fiscal year 1987, \$1,630.9 million, includes higher losses on the sale from CCC inventory of corn, grain sorghum, wheat, rice and dried milk, as well as losses of \$250.4 million on the sale of burley tobacco, and \$123.5 million on the sale of sugar. Higher gains on the sale of soybeans partially offset the increase.
- (2) An increase of \$170,530,952 in domestic donations (\$1,319,408,485 in 1986). This increase primarily reflects increased donations of dairy products under Section 416 for the School Lunch and Special Donations to Needy Families Programs. Section 416 donations of red meat and honey also increased. Red meat was purchased to minimize the adverse effect of the Dairy Termination Program. A decrease in the donated value of rice and vegetable oil products partially offset the increase.
- (3) A decrease of \$33,184,173 in export donations (\$399,003,291 in 1986). Lower dairy product donations under Section 416 of the Agricultural Act of 1949 accounted for the decrease. The combined volume of these overseas dairy donations was down 112 million pounds from the 1986 program. Donations of wheat and rice slightly offset the decrease.

- (4) An increase of \$662,831,270 in storage and handling expense (\$712,940,464 in 1986). Expenses associated with storage and handling of feed grains account for 70 percent of the increase. Feed grain inventories doubled over the fiscal year, (from 995.9 million bushels to 2,081.1 million bushels) primarily due to forfeitures of commodity loans. Feed grains forfeitures were 1,629.6 million bushels in fiscal year 1987, compared with 796.0 million bushels in fiscal year 1986. Greater soybean and wheat storage and handling expenses account for most of the remaining increase. Although wheat inventories dropped slightly in fiscal year 1987 (from 923.4 million bushels to 876.8 million bushels), average holdings in fiscal year 1987 were considerably higher than average holdings in fiscal year 1986. Increases and decreases in other commodities had little overall net impact on storage and handling expense.
- (5) An increase of \$5,457,710 in transportation expense (\$179,378,169 in 1986). A high rate of feed grain and soybean forfeitures raised transportation expenses. This increase was largely offset by decreased transportation expenses for wheat and dairy products.
- (6) A decrease of \$36,284,784 in loans written off (\$46,843,601 in 1986). The decrease in loans written off is primarily due to large shifts in peanut loan levels. Peanut loan activity in fiscal year 1986 was substantially above the normal yearly average, while activity in fiscal year 1987 was sharply down due to lower than normal peanut production in crop year 1986. Peanuts put under loan in fiscal year 1986 totaled 1,192.0 million pounds, compared with 214.0 million pounds in fiscal year 1987.
- (7) An increase of \$285,870,259 in producer storage payments (\$342,247,772 in 1986). This increase is mainly due to a large increase in the average quantity of corn in the farmer-held grain reserve in fiscal year 1987, partly offset by a decrease in the average quantity of wheat in the reserve.
- (8) An increase of \$450,000,000 in Federal Crop Insurance Corporation (FCIC) crop indemnity payments (\$0 in 1986). The FSA amended the Federal Crop Insurance Corporation Act authorizing the Secretary to use CCC funds at any time the moneys available to Federal Crop Insurance Corporation are insufficient to pay the claims of farmers for insured crop losses. The fiscal year 1987 amount reflects losses for CCC transfers made to FCIC for crop indemnity payments in fiscal year 1986. A determination was made in fiscal year 1987 that the transfers to FCIC would be on a nonreimbursable basis. An additional \$300 million in CCC transfers to FCIC which were made in fiscal year 1987 will be shown as a loss in fiscal year 1988.
- (9) A decrease of \$33,948 in total cash disaster payments (\$35,023 in 1986). Fiscal year 1987 activity reflects prior year adjustments for the 1983 and earlier crops.
- (10) A decrease of \$6,599,771,068 in total cash deficiency payments (\$9,736,988,768 in 1986). The increased application of the FSA provision allowing a portion of deficiency payments to be made in certificates redeemable for CCC-owned commodities in lieu of cash is mainly responsible for the reduction. Initially, the 1986 crop cash liability for payments to be made in fiscal years 1987 and 1988 was projected to be \$6,559,060,089 and the accrued loss in fiscal year 1986 reflected this amount. However, in fiscal years 1987 and 1988 a lower percentage of payments totaling \$3,782,772,757 was made in cash and the remainder was issued in certificates. This change in the cash-certificate payment mix resulted in a decrease in the cash payment losses by \$2,776,287,332. In fiscal year 1987, \$5,902,237,415 in 1987 crop deficiency payments were recorded as a loss including \$2,483,877,400 which were paid in advance in fiscal year 1987 and \$3,436,360,115 in accrued final payments that will be paid in fiscal years 1988 and 1989. The latter amount reflects the GAO requirement that estimated

deficiency payments due producers must be accrued as a loss in the fiscal year in which the deficiency payment liability is recognized, even though the actual cash disbursement may not take place until the following fiscal year. Adjustments to the 1985 and prior year crops to reflect actual payments made also contributed to the decrease in losses.

- (11) A net increase of \$379,442,184 in cash diversion payments (\$14,871,984 in 1986). The fiscal year 1987 amount mainly reflects payments made under a fifteen percent voluntary diversion program effective for the 1987 feed grain crops. Fifty percent of the payments were made in advance with one-half issued in cash and one-half in certificates (see item 16). Cash diversion payments for the 1987 crop totaled \$382,549,734 in fiscal year 1987. Adjustments for 1985 and 1986 crop diversion payments partly offset the increase.
- (12) A decrease of \$90,652,400 in upland cotton cash loan deficiency payments (\$76,000,000 in 1986). Authorized by the FSA, this payment was made to producers, who although eligible to obtain 1986 crop loans, agreed to forego them in exchange for the payment. One-half of these payments were made in cash and the remaining half were made in certificates. The estimated accrued loss on these payments was captured in fiscal year 1986. Since actual cash payments made during fiscal years 1986 and 1987 totaled \$61,347,600, which was less than the projected loss, the difference of \$14,652,400 is reflected in fiscal year 1987 as a loss adjustment. No 1987 crop loan deficiency payments are estimated.
- (13) A decrease of \$24,607,216 in rice cash inventory payments (\$25,355,088 in 1986). The FSA required the Secretary to offer a one-time payment to all producers of 1985-crop rice who had not sold their rice as of April 15, 1986, to protect privately-held rice stocks from a sudden price decrease as a result of the implementation of the FSA. The majority of these payments were made in fiscal year 1986 and the corresponding loss of \$25,355,088, was also captured at that time. A small amount of payments, \$747,872, was made in fiscal year 1987. Total 1985 crop rice inventory payments during fiscal years 1986 and 1987 were \$26,102,960.
- (14) An increase of \$149,733,736 in dairy termination payments (\$489,168,026 in 1986). The increase reflects the second year's operation of the dairy termination program, which was implemented in fiscal year 1986 under the FSA. Dairy termination payments, based on accepted bids submitted by producers, are made to eligible producers who agreed to discontinue milk production for a period of five years. The fiscal year 1987 amount represents dairy termination payments for the second year of the program, based on producer-selected payment options. Payments will continue through fiscal year 1992.
- (15) An increase of \$6,763,939,088 in deficiency payments made in commodity certificates (\$2,319,300,000 in 1986). The increase mainly reflects a higher percentage of 1986 crop payments being issued in certificates than was originally projected when the liability was established in fiscal year 1986 (see also item 10). In fiscal year 1987, certificates valued at \$1,817,964,050 and \$2,650,317,214 were issued for the 1986 and 1987 crops, respectively, and an estimated \$4,940,992,422 in certificates were accrued as a loss in fiscal year 1987 for issuance in fiscal years 1988 and 1989.
- (16) An increase of \$835,257,373 in diversion payments made in certificates (\$368,287,367 in 1986). A 15-percent land diversion program with 75 percent of the payments made in certificates was in effect for the 1987 feed grains crops. The fiscal year 1987 amount includes \$1,184,226,368 in certificates issued for the 1987 crop and \$24,596,709 in additional payments for feed grains and wheat under a 2.5 percent land diversion program effective for the 1986 crop.



- (17) A decrease of \$89,201,337 in upland cotton loan deficiency payments made in certificates (\$76,478,000 in 1986). For the 1986 crop, one-half of loan deficiency payments were made in certificates and one-half in cash (see also item 12, above). The value of these payments was accrued and recorded as a loss in fiscal year 1986. Since actual certificate payments made in fiscal year 1987 were \$63,754,663, which was less than the projected loss, the difference of \$12,723,337 is reflected in fiscal year 1987 as a loss adjustment.
- (18) A decrease of \$613,166,526 in upland cotton inventory protection certificates (\$616,000,000 in 1986). As with rice inventory payments, the FSA required a one-time transition payment to all holders of 1985 and prior crop year upland cotton to protect these privately-held stocks from any sudden price decreases due to the implementation of the FSA. Certificates valued at \$388,939,392 were issued in fiscal year 1986 and certificates valued at an estimated \$227,060,608 were accrued in fiscal year 1986 for issuance in fiscal year 1987. Actual fiscal year 1987 payments which totaled \$229,894,082 were \$2,833,474 higher than the estimated accrued value and these additional payments are reflected as a loss in fiscal year 1987.
- (19) An increase of \$80,237,521 in upland cotton first handler certificates (\$14,019,922 in 1986). This payment, authorized by the FSA, is required to eligible first handlers of cotton if certain CCC programs fail to make upland cotton fully competitive in world markets and the world market price for cotton is less than the loan repayment rate. In fiscal year 1986, \$14,019,922 in certificates were issued for the 1986 crop. The fiscal year 1987 loss represents additional 1986 crop first handler certificate payments valued at \$94,257,443. Overall payments of \$108,277,365 were made during fiscal years 1986 and 1987.
- (20) An increase of \$17,670,306 in rice marketing certificates (\$540,469 in 1986). Similar to the upland cotton first handler certificates, rice marketing certificates must be issued to eligible producers whenever the world price for rice falls below the loan repayment rate. In fiscal year 1986, certificates valued at \$540,469 were issued for the 1986 crop. The fiscal year 1987 loss represents additional 1986 crop certificate payments of \$18,210,775. Rice marketing payments in fiscal years 1986 and 1987 totaled \$18,751,244.
- (21) An increase of \$4,093,071 in the ethanol plants assistance program (\$25,176,929 in 1986). In order to encourage the use of grain in the production of fuel ethanol, the FSA authorized CCC to make commodities available for sale at no cost or reduced cost to qualifying ethanol producers. \$25,176,929 in certificate payments were issued to qualified ethanol producers in fiscal year 1986. The fiscal year 1987 loss represents an additional \$29,270,000 in issued certificate payments. Total program payments during fiscal years 1986 and 1987 were \$54,446,929.
- (22) An increase of \$84,526,393 in emergency feed certificates (\$961,607 in 1986). In accordance with the FSA, as amended, CCC is authorized to make feed available for livestock and poultry in areas where feed grains are normally produced but are unavailable due to natural disaster. The fiscal year 1987 amount is for certificate payments which may be exchanged for CCC commodities.
- (23) An increase of \$633,237,255 in export enhancement certificates (\$9,743,325 in 1986). To encourage the development, maintenance, and expansion of U.S. exports, the Secretary is required by the FSA to make available to commercial exporters either CCC-owned commodities for bonus payments or issue transferable export certificates which may later be redeemed for CCC commodities. The fiscal year 1987 loss reflects the value of export certificates issued.

- (24) An increase of \$52,042,668 for targeted export assistance certificates (\$16,144,332 in 1986). To counter or offset the adverse effect of subsidies, import quotas or other unfair trade practices in foreign countries, the Secretary must issue certificates which may be exchanged for CCC commodities to assist promotion activities for commodities or products affected by such practices, or use CCC funds at the Secretary's discretion. The fiscal year 1987 amount is for certificate payments issued to assist in these export promotion activities.
- (25) A net increase of \$156,468,647 in disaster assistance certificates (\$0 in 1986). The 1987 Continuing Resolution and the Farm Disaster Assistance Act of 1987 provided assistance, payable in generic certificates, to producers who experienced 1986 crop losses from natural disasters or producers who could not plant their 1987 crop due to a 1986 disaster. Disaster assistance certificates valued at \$556,468,647 were issued to affected producers in fiscal year 1987. A transfer of \$400,000,000 from the Farmers Home Administration, required by the fiscal year 1987 Continuing Resolution (P.L. 99-591), partially offset the certificate payment losses.
- (26) A decrease of \$17,426,275 for sugar bankruptcy compensation (\$17,487,543 in 1986). Under a provision of the FSA, sugar producers who failed to receive their full benefits due under the sugar price support program as a result of the insolvency of a sugar processor were compensated by CCC. The fiscal year 1987 amount completed payments under this program.
- (27) A decrease of \$21,491 for the emergency feed program (cash); (\$34,444 in 1986). Prior to fiscal year 1987, producers whose emergency feed payment was \$100 or less received their payment in cash. The 1987 amount includes these prior year adjustments and adjustments for earlier programs.
- (28) An increase of \$85,086,923 for the export enhancement program (non-certificate); (\$89,266,033 in 1986). Fiscal year 1987 activity reflects the value of CCC-owned wheat, rice, soybeans, corn, and barley issued as bonus payments to U.S. exporters to expand export sales in those markets where unfair foreign trade practices were used. This program, implemented in fiscal year 1985, was modified in fiscal year 1986 whereby bonus payments to exporters may be made in kind or through generic certificates that may be redeemed for CCC-owned commodities (see also item 23 above).
- (29) A decrease of \$6,211,507 for the export market promotion program (\$6,063,461 in 1986). The fiscal year 1987 total reflects adjustments for costs associated with an overseas market promotion program to expand export sales of U.S. produce and to counter foreign subsidization.
- (30) An increase of \$1,252,084,624 for the conservation reserve program (\$110,728,469 in 1986). Program participants receive annual rental payments in cash or commodity certificates, and one-time cost-share assistance for half the cost of establishing a permanent cover. Annual rental payments of \$778,000,000 represent accrued certificate payments which were issued in early fiscal year 1988 for enrolled 1986 and 1987 crop acreage to compensate producers for the conversion of cropland to conservation uses. Cost-sharing cash payments of \$245,589,195 to help implement these conservation practices were made in fiscal year 1987. Technical assistance payments of \$15,841,549 were recorded as a loss in fiscal year 1987.
- (31) A net decrease of \$16,040,424 in payment-in-kind (PIK) program costs (\$24,177,459 in 1986). The decrease is mainly due to adjustments to PIK activity for fiscal years 1983 and 1984 accrued losses for the 1983 crops of wheat, corn, grain sorghum, rice and upland cotton, and for the 1984 crop of wheat.

- (32) An increase of \$368,273,834 in marketing loan write-offs (\$205,962,408 in 1986). The increase reflects the implementation of a marketing loan program for 1986 crop upland cotton, 1986 and 1987 crop honey, and 1985, 1986, and 1987 crop rice which permits producers to repay their commodity loans at less than the original loan principal. The marketing loan write-offs represent the difference between the original loan principal at the announced loan rate and the actual loan repayment. The fiscal year 1987 amount includes write-offs of \$107,667,419 for 1986 crop upland cotton, \$445,421,752 for 1985, 1986, and 1987 crop rice, and \$21,147,071 for 1986 and 1987 crop honey.
- (33) A net increase (larger gain) of \$142,533,715 in milk marketing fees (-\$287,418,168 in 1986). The increase in fiscal year 1987 reflects twelve months of operation of the collection program versus six months operation in fiscal year 1986. Fiscal year 1987 receipts include collections of \$429,712,984 authorized by the FSA.
- (34) An increase of \$19,148,235 in ocean transportation expense for Section 416 export donations (\$19,703,850 in 1986). The increase is mainly due to a substantial increase in metric tonnage shipped in 1987, including the first Section 416 export donations of grains.
- (35) A decrease of \$321,269,337 in interest expense (\$883,506,356 in 1986). The net decrease is mainly attributable to lower average interest rates (6.0 percent in 1987 versus 7.75 percent in 1986) and to increased accrued interest income for the direct export credit, export credit guarantee and rescheduled export guarantee loan programs.
- (36) An increase of \$105,582,192 in operating expenses (\$489,892,728 in 1986). This increase principally reflects almost \$78 million in higher authorized CCC fund transfers to the ASCS consolidated Salaries and Expenses Account for workload increases related to the continuing implementation of the FSA, as partially described above, including supplementals of \$42.9 million, for workload, pay costs, and the new FERS. The balance of the increase is \$28 million, which is the net of all other miscellaneous operating expenses and income.



## RECONCILIATION TO BUDGET AUTHORITY

The above analysis of realized losses covers the differences between the actual 1986 and 1987 losses of the Corporation. The 1986 losses have already been reimbursed. Regardless of whether appropriations made to CCC are to restore losses or are for other purposes, the Corporation must record losses in its books for numerous required purposes, including the computation of capital impairment.

The following table reconciles budget authority with appropriations:

	(thousands of dollars)	
	<u>1988</u>	<u>1989</u>
Appropriation (for realized losses).....	---	a/ \$9,828,286
Appropriation (for operating expenses).....	<u>\$21,133,658</u>	<u>---</u>
Total Appropriation.....	<u>21,133,658</u>	<u>9,828,286</u>
Portion applied to debt reduction.....	-13,812,046	-9,828,286
Portion applied to liquidate contract authority.....	-7,333,612	---
Transferred from other accounts b/.....	<u>+12,000</u>	<u>---</u>
Adjusted Appropriation.....	---	---
Adjustments:		
Authority to borrow.....	+16,142,121	+15,533,425
Contract authority.....	---	---
National Wool Act appropriation.	<u>+152,130</u>	<u>+124,925</u>
Budget Authority.....	<u>16,294,251</u>	<u>15,658,350</u>

a/ Proposed to be reimbursed through current, indefinite appropriation from Treasury, rather than Congressional action, as authorized by the Omnibus Budget Reconciliation Act of 1987.

b/ Reflects transfer from the Agricultural Credit Insurance Fund for disaster payments under provisions of the FY 1988 Rural Development, Agriculture and Related Agencies Appropriation Act (P.L. 100-202).

The following tables reflect actual and estimated losses by commodity and program for fiscal years 1986 through 1989.

## Fiscal Year 1986 - Actual (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
<b>Program Costs:</b>							
Gain(-) or loss on sales	1,644.2	541.1	159.7	116.1	85.7	563.5	178.1
Domestic donations	1,319.4	7.3	29.0	31.6	--	1,156.2	95.3
Export donations	399.0	--	2.6	--	--	396.4	--
Storage and handling	712.9	284.2	239.0	49.9	17.8	50.9	71.1
Transportation	179.4	38.9	52.3	0.6	(0.1)	77.8	9.9
Loans written off	46.8	0.6	0.1	--	--	--	46.1
Producer storage payments	342.2	195.8	146.4	--	--	--	--
Cash deficiency payments	9,737.0	5,650.1	2,724.4	462.8	897.7	--	2.0
Cash diversion payments	14.9	1.0	(3.3)	(4.3)	21.1	0.4	--
Cash loan deficiency payments	76.0	--	--	--	76.0	--	--
Inventory protection payments	25.3	--	--	25.3	--	--	--
Dairy termination program	489.2	--	--	--	--	--	--
Deficiency certificate payments	2,319.3	1,350.1	747.0	52.2	170.0	489.2	--
Diversification certificate payments	368.3	158.6	209.7	--	--	--	--
First-handler, inventory protection, and loan deficiency certificates	706.5	--	--	--	706.5	--	--
Rice marketing certificates	0.5	--	--	0.5	--	--	--
Conservation reserve program	110.7	--	--	--	--	--	110.7
Other certificates b/	52.0	--	--	--	--	--	52.0
Export enhancement (non-certificate)	89.3	--	89.3	--	--	--	--
Payment-in-kind (PIK) program	24.2	8.1	1.7	0.5	13.9	--	--
Marketing loan write-offs	206.0	--	--	205.0	--	--	1.0
Other c/	(238.5)	0.9	9.1	--	2.7	(288.7)	37.5
<b>Total program costs</b>	<b>18,624.6</b>	<b>8,236.7</b>	<b>4,407.0</b>	<b>940.2</b>	<b>1,991.3</b>	<b>2,445.7</b>	<b>603.7</b>
<b>Nonprogram costs:</b>							
Interest (net):							
Support and related	706.3						
Short-term and intermediate export credit sales	44.2						
Export guarantees	133.0						
Operating expenses	489.9						
<b>Total nonprogram costs</b>	<b>1,373.4</b>						
<b>Total realized losses</b>	<b>19,998.0</b>						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export market promotion, ethanol plant assistance, export enhancement, and targeted export assistance.

b/ Other certificates include ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

c/ Includes -\$287.4 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -\$238.5 million shown.

## Fiscal Year 1987 - Actual (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
<b>Program Costs:</b>							
Gain(-) or loss on sales	3,159.0	1,156.4	193.7	171.0	531.2	699.8	406.9
Domestic donations	1,489.9	8.9	26.0	20.7	--	1,329.2	105.1
Export donations	365.8	0.1	58.6	8.7	--	298.4	--
Storage and handling	1,275.8	794.3	330.9	23.4	27.8	48.6	150.8
Transportation	184.8	83.1	16.6	0.4	0.1	65.1	19.5
Loans written off	10.6	0.2	0.4	--	--	--	10.0
Producer storage payments	628.1	456.2	171.8	--	--	--	0.1
Cash deficiency payments	3,137.2	1,701.6	541.7	272.1	622.2	--	(0.4)
Cash diversion payments	394.5	395.0	(0.4)	(0.3)	(14.7)	--	--
Cash loan deficiency payments	(14.7)	--	--	0.7	--	--	--
Inventory protection payments	0.7	--	--	--	--	--	--
Dairy termination program	638.9	--	--	309.3	417.8	638.9	--
Deficiency certificate payments	9,083.2	5,653.0	2,703.1	--	--	--	--
Diversion certificate payments	1,203.5	1,199.1	4.4	--	--	--	--
Milk diversion program	(0.2)	--	--	--	--	(0.2)	--
First-handler, inventory protection, and loan deficiency certificates	84.4	--	--	--	84.4	--	--
Rice marketing certificates	18.2	--	--	18.2	--	--	--
Conservation reserve program	1,362.8	--	--	--	--	--	1,362.8
Other certificates b/	982.4	--	--	--	--	--	982.4
Export enhancement (non-certificate)	174.4	8.8	154.6	5.7	--	--	5.3
Payment-in-kind (PIK) program	8.1	2.2	3.5	2.4	--	--	--
Marketing loan write-offs	574.2	--	--	445.4	107.7	--	21.1
Other c/	114.4	2.3	1.7	0.2	57.3	(430.8)	483.7
<b>Total program costs</b>	<b>24,976.0</b>	<b>11,461.2</b>	<b>4,206.6</b>	<b>1,277.9</b>	<b>1,834.0</b>	<b>2,649.0</b>	<b>3,547.3</b>
<b>Nonprogram costs:</b>							
Interest (net):							
Support and related	640.7						
Short-term and intermediate	(11.8)						
export credit sales	(66.7)						
Export guarantees	595.5						
Operating expenses							
<b>Total nonprogram costs</b>	<b>1,157.7</b>						
<b>Total realized losses</b>	<b>26,133.7</b>						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export market promotion, ethanol plant assistance, export enhancement, and targeted export assistance.

b/ Other certificates include ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

c/ Includes -\$430.0 million for dairy receipts/gains (from assessment program), \$450 million for FCIC crop indemnity payments, and losses for other programs netting to the \$114.4 million shown.

Fiscal Year 1988 - Estimated (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
<b>Program Costs:</b>							
Gain(-) or loss on sales	2,702.8	1,592.7	651.1	22.8	5.2	462.0	(31.0)
Domestic donations	1,072.9	6.9	28.2	19.1	--	936.9	81.8
Export donations	381.7	59.6	144.3	17.4	--	157.9	2.5
Storage and handling	1,278.8	990.9	186.1	7.7	0.4	21.2	72.5
Transportation	135.0	51.6	10.4	--	--	49.9	23.1
Loans written off	63.3	--	--	--	--	--	63.3
Producer storage payments	1,048.3	829.4	218.9	--	--	--	--
Cash deficiency payments	3,349.4	2,909.5	361.0	(78.5)	157.4	--	--
Cash diversion payments	2.2	2.2	--	--	--	--	--
Deficiency certificate payments	7,288.3	4,443.4	1,960.0	325.0	559.9	--	--
Diversion certificate payments	720.8	720.8	--	--	--	--	--
Dairy termination program	218.1	--	--	--	--	218.1	--
Conservation reserve program	301.6	--	--	--	--	--	301.6
Dairy export incentive program	31.6	--	--	--	--	31.6	--
Other certificates b/	1,310.0	--	--	--	--	--	1,310.0
Export enhancement (non-certificate)	6.7	6.7	--	--	--	--	--
Marketing loan write-offs	254.8	--	--	192.3	34.4	--	28.1
Other c/	406.3	--	--	--	4.1	(54.0)	456.2
<b>Total program costs</b>	<b>20,572.6</b>	<b>11,613.7</b>	<b>3,560.0</b>	<b>505.8</b>	<b>761.4</b>	<b>1,823.6</b>	<b>2,308.1</b>
<b>Nonprogram costs:</b>							
Interest (net):							
Support and related	1,120.4						
Short-term and intermediate							
export credit sales	(12.7)						
Export guarantees	1.4						
Operating expenses	575.2						
<b>Total nonprogram costs</b>	<b>1,684.3</b>						
<b>Total realized losses</b>	<b>22,256.9</b>						
	=====						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export enhancement, and targeted export assistance.

b/ Other certificates include export enhancement and targeted export assistance programs.

c/ Includes -\$54.0 million for dairy receipts/gains (from assessment program) and offsetting losses for other programs netting to the \$406.3 million shown.

NOTE: The losses shown above for fiscal year 1988 are on a gross expenses basis. Application of the "Operating Expenses" appropriation for fiscal year 1988 will reduce such losses proportionate to "Operating Expenses" funds used.

## Fiscal Year 1989 - Estimated (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
Program Costs:							
Gain(-) or loss on sales	661.5		77.9	(2.7)	--	236.0	6.8
Domestic donations	682.3	343.5	28.7	19.3	--	554.6	72.9
Export donations	51.7	6.8	--	--	--	--	--
Storage and handling	917.6	775.5	113.5	1.9	--	13.6	13.1
Transportation	77.6	30.2	10.6	--	--	30.2	6.6
Loans written off	78.4	--	--	--	--	--	78.4
Producer storage payments	521.5	420.4	101.1	--	--	--	--
Cash deficiency payments	5,423.5	3,670.0	1,245.0	301.0	207.5	--	--
Cash diversion payments	338.0	338.0	--	--	--	--	--
Deficiency certificate payments	5,470.0	3,676.5	1,285.0	301.0	207.5	--	--
Diversion certificate payments	338.5	338.5	--	--	--	--	--
Dairy termination program	189.0	--	--	--	--	189.0	--
Dairy export incentive program	24.7	--	--	--	--	24.7	--
Conservation reserve program	444.0	--	--	--	--	--	444.0
Other certificates b/	1,010.0	--	--	--	--	--	1,010.0
Marketing loan write-offs	63.6	--	--	32.4	--	--	31.2
Other c/	140.6	--	--	--	--	(12.0)	152.6
Total program costs	16,432.5	9,651.1	2,861.8	652.9	415.0	1,036.1	1,815.6
Nonprogram costs:							
Interest (net):							
Support and related	760.7						
Short-term and intermediate							
export credit sales	(12.9)						
Export guaranties	(20.2)						
Operating expenses	590.4						
Total nonprogram costs	1,318.0						
Total realized losses	17,750.5						
=====							

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export enhancement, and targeted export assistance.

b/ Other certificates include export enhancement and targeted export assistance programs.

c/ Includes -\$12.0 million for dairy receipts/gains (from assessment program) and offsetting losses for other programs netting to the \$140.6 million shown.





National Wool Act

Appropriation Act, 1988.....	\$152,130,000
Budget Estimate, 1989.....	124,925,000
Decrease in Appropriation.....	<u>-27,205,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

Item of Change	1988 Estimated (1986 Calendar Year)	Increase or Decrease	1989 Estimated (1987 Calendar Year)
Total duties collected in the applicable calendar year.....	\$427,121,077	+\$4,878,923	\$432,000,000
70 percent of duties collected, representing maximum available for reimbursement to CCC.....	298,984,754	+3,415,246	302,400,000
Appropriation or estimate to reimburse CCC.....	152,130,000	-27,205,000	124,925,000

The 1988 appropriation covers reimbursement for fiscal year 1987 expenditures relating to marketings in the 1986 calendar year. The 1989 appropriation estimate covers fiscal year 1988 estimated expenditures relating to marketings in the 1987 calendar year.

PROJECT STATEMENT  
(On basis of appropriation)

Item	1987 Actual	1988 Estimated	1989 Decrease	1989 Estimated
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act, available or estimate.....	\$122,689,000	\$152,130,000	-\$27,205,000	\$124,925,000

## EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Food Security Act of 1985 to cover marketings through December 31, 1990.

Payments are made on marketings during each calendar year on shorn wool, unshorn lambs (to compensate producers for the wool on lambs) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support price and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of the actual price received by the producer is used as the payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment (in thousands of dollars).

<u>Item</u>	Fiscal Year 1987 (1986 Marketing Year) <u>Actual</u>	Fiscal Year 1988 (1987 Marketing Year) <u>Estimate</u>	Fiscal Year 1989 (1988 Marketing Year) <u>Estimate</u>
Available for payments, 70 percent of duties collected:			
Cumulative from January 1, 1953.....	\$3,770,682	\$4,073,082	\$4,378,982
Cumulative payments to producers.....	<u>1,798,563</u>	<u>1,918,163</u>	<u>2,039,863</u>
Balance available, end of year.....	<u>1,972,119</u>	<u>2,154,919</u>	<u>2,339,119</u>

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 percent of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$27,205,000 in the appropriation to reimburse the Commodity Credit Corporation.

<u>Item of Change</u>	<u>1988 Estimate (Fiscal Year 1987 Expendi- ture)</u>	<u>Decrease</u>	<u>1989 Estimate (Fiscal Year 1988 Expendi- ture)</u>
Payments to producers:			
Shorn wool.....	\$83,137,000	-\$8,037,000 (a)	\$75,100,000
Unshorn lambs.....	19,323,000	-4,723,000 (b)	14,600,000
Mohair.....	42,947,000	-13,047,000 (c)	29,900,000
Total payments.....	145,407,000	-25,807,000	119,600,000
Operating expenses.....	2,352,000	-489,000	1,863,000
Interest expenses.....	4,371,000	-909,000 (d)	3,462,000
Total.....	152,130,000	-27,205,000	124,925,000

Need for Change. Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs for fiscal year 1988 are \$124,925,000. Program costs are estimated to decrease from fiscal year 1987 due to the decrease in the payment rate for shorn wool, unshorn lambs and mohair as a result of higher market prices received by producers.

Nature of Change.

- (a) A decrease of \$8,037,000 shorn wool payments (\$83,137,000 in 1988 estimate). This decrease is due to a reduction in the payment rate for wool from \$1.11 to 91 cents per pound mainly as a result of an increase in wool's season average price from 66.8 cents to 90.0 cents. Since the payment rate is based on the difference between the season average price and the price support rate, which also increased from \$1.78 to \$1.81, the net effect of these two changes resulted in a 20 cents per pound decrease in the payment rate.
- (b) A decrease of \$4,723,000 in payments on unshorn lambs (\$19,323,000 in 1988 estimate). This decrease is due to a decrease in the payment rate for wool as explained above, decreasing the payment rate for unshorn lambs from \$4.45 to \$3.64 per hundredweight.
- (c) A decrease of \$13,047,000 in payments on mohair (\$42,947,000 in 1988 estimate). This decrease is mostly due to an increase in the season average price from \$2.51 to \$2.75 resulting in a decrease in the payment rate from \$2.42 to \$2.20 per pound.
- (d) A decrease of \$909,000 in interest expenses (\$4,371,000 in 1988 estimate). This decrease is due to lower payments for shorn wool, unshorn lambs and mohair.

EXPENDITURES AND REIMBURSEMENTS TO CCC  
UNDER THE NATIONAL WOOL ACT

Costs

Expenditures under this program include payments to producers, plus operating and interest costs. The following table shows the basis of the estimates for fiscal years 1987, 1988, and 1989.

Item	Fiscal Year 1987 (1986 Marketing Year) Actual	Fiscal Year 1988 (1987 Marketing Year) Estimated	Fiscal Year 1989 (1988 Marketing Year) Estimated
Volume of Marketings:			
Pounds of shorn wool.....	76,274,000	82,560,000	88,200,000
Hundredweight, unshorn lambs.	4,227,000	4,000,000	4,100,000
Pounds of mohair.....	17,611,000	13,600,000	14,200,000
Incentive or Support Level:			
Price per lb of wool (cents).....	178.0	181.0	178.0
Price per lb of mohair (cents).....	493.0	495.0	469.0
Percent of parity - wool.	76.7	74.5	66.7
Percent of parity - mohair.....	65.2	63.3	56.7
Payments under Act - Rates:			
Shorn wool, per lb (cents).....	111.2	91.0	88.0
Unshorn lambs, cwt (cents).....	444.8	364.0	352.0
Mohair, per lb (cents)..	242.0	220.2	209.4
Amount of Payments:			
Shorn wool.....	83,137,000	\$75,100,000	\$77,600,000
Unshorn lambs.....	19,323,000	14,600,000	14,400,000
Mohair.....	42,947,000	29,900,000	29,700,000
Total payments.....	145,407,000	119,600,000	121,700,000
Operating Expenses.....	2,352,000	1,863,000	1,799,000
Interest Expense.....	4,371,000	3,462,000	3,026,000
Current year expenditures	152,130,000	124,925,000	126,525,000
Unrecovered balance, prior years.....	122,689,000	152,130,000	124,925,000
Total cumulative unrecovered balance....	274,819,000	277,055,000	251,450,000
Reimbursement to CCC (70 percent of preceding calendar year duty collections) a/.....	122,689,000	152,130,000	124,925,000
Unrecovered balance, end of year.....	152,130,000	124,925,000	126,525,000

a/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

## CONSERVATION RESERVE PROGRAM

Purpose Statement

The Conservation Reserve Program (CRP) was mandated by sections 1231-1245 of the Food Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities, including wheat, corn, grain sorghum, soybeans, and small grains.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on highly erodible land used to produce an agricultural commodity in the years 1981 through 1985. Up to 45 million acres of highly erodible land may be entered into the reserve.

The program is administered by State and local ASC committees working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, the Cooperative Extension Service, and other appropriate agencies.

In exchange for entering land into the reserve, program participants receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate CRP program implementation, use of the funds, services, and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987 and during the period in FY 1988 covered by the first two FY 1988 continuing resolutions. After this period CCC funds may not be used for this purpose unless CCC has received appropriated funds in advance to cover expenditures for the program. In fiscal year 1988, funds were appropriated in advance for rental, cost-sharing, and technical assistance payments; these funds were also used to reimburse CCC for those CRP payments made during the continuing resolution periods. The Food Security Act of 1985 provides authority to enter into CRP contracts through fiscal year 1990. Appropriations will be requested annually to make rental payments through fiscal year 2000.



Available Funds, 1987 Actual  
and Estimated 1988 and 1989

<u>Item of Change</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
Appropriation:			
Annual rental payments .....	--	--	\$1,196,000,000
Cost-sharing assistance ....	--	\$1,066,000,000 a/	660,000,000
Technical assistance .....	--	19,760,000	8,000,000
Transfer to other accounts .....	--	45,240,000 b/	--
Total appropriation .....	--	\$1,131,000,000	\$1,864,000,000
Less:			
Transfer to other accounts...	--	-45,240,000	--
Adjusted appropriation.....	--	<u>\$1,085,760,000</u>	<u>\$1,864,000,000</u>

NOTE: The CRP was funded directly by CCC in FY 1987. By law, beginning in FY 1988, appropriations must be made in advance.

Reconciliation of Program Level to Appropriation

<u>Item of Change</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>1989 Estimated</u>
Annual rental payments for prior year contracts:			
Cash.....	--	--	\$1,196,000,000
CCC commodity certificates..	--	\$ 778,000,000	297,000,000
Total rental payments .....	--	778,000,000	1,493,000,000
Cost-sharing assistance .....	--	1,066,000,000	660,000,000
Technical assistance .....	--	19,760,000	8,000,000
Transfer to other accounts....	--	45,240,000	--
Total program level, current year .....	--	1,909,000,000	2,161,000,000
Deduct:			
Financing by CCC commodity certificates .....	--	-778,000,000	-297,000,000
Total appropriation .....	--	\$1,131,000,000	\$1,864,000,000
Less:			
Transfer to other accounts...	--	-45,240,000	--
Adjusted appropriation.....	--	<u>\$1,085,760,000</u>	<u>\$1,864,000,000</u>

a/ Includes funds paid to the Commodity Credit Corporation as reimbursement of CRP cost sharing expenses, which were incurred by the corporation during the fiscal year 1988 short term Continuing Resolutions (October 1, 1987 through December 21, 1987), in accordance with P.L. 100-202.

b/ Reflects funds transferred to the Soil Conservation Service for technical assistance related to Food Security Act of 1985 conservation activities, in accordance with P.L. 100-202.



## AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Reserve Program

- 1 For necessary expenses due and payable in FY 1989 to carry out the Conservation Reserve Program pursuant to the Food Security Act of 1985 (16 U.S.C.
- 2 38[8]31-3845), [~~\$1,131,000,000~~] \$1,864,000,000, to remain available until
- 3 expended, to be used for Commodity Credit Corporation expenditures for cost-
- 4,5 share assistance for the establishment of conservation practices provided for in approved Conservation Reserve Program contracts, for annual rental payments
- 6 provided for in such contracts, and for technical assistance: Provided, [That 4 per centum of the funds available for the conservation reserve program in this Act shall be transferred to the conservation operations account of the Soil Conservation Service for services of its technicians in carrying out the conservation programs of the Food Security Act of 1985: Provided further,] That none of the funds in this act may be used to enter into new contracts that are in excess of the prevailing local rental rates for an acre of comparable land[: Provided further, That funds appropriated by this Act for the Conservation Reserve Program shall be used to the extent necessary to reimburse fully the Commodity Credit Corporation for conservation reserve costs financed by the Corporation during the period of the Continuing Resolutions, Public Laws 100-120 and 100-162].

The first change adds language clarifying that the appropriation request is only for funding necessary to cover CCC expenditures due and payable in fiscal year 1989.

The second change corrects an error in the U.S. code citation.

The third and fourth changes add a reference citing the specific authorization for the payment of cost share assistance and rental payments, which is based on approved CRP contracts.

The fifth change deletes language providing for the transfer of a percentage of Conservation Reserve Program funds to the Conservation Operations Account of the Soil Conservation Service for technical assistance in carrying out the conservation programs of the Food Security Act of 1985. SCS technical assistance related to the Conservation Reserve Program is normally funded under a separate reimbursable agreement between the Commodity Credit Corporation and the SCS, using funds appropriated for CRP. Because the CRP is only one of several conservation programs authorized by the Food Security Act, this deletion is desirable to ensure that the CRP is not the source of funding for SCS technical assistance related to other conservation activities. It would appear that the logical method for the funding of SCS technical assistance related to the Food Security Act conservation activities would be through a direct appropriation of funds to the SCS Conservation Operations Account. No net increase in Congressional appropriations would result from the more direct funding method.

The sixth change deletes language providing that the CRP reimburse the Commodity Credit Corporation for Conservation Reserve Program costs financed by the Corporation during the period of the short term Continuing Resolutions, provided in early fiscal year 1988. This language is not needed in fiscal year 1989. It was included in the FY 1988 CRP appropriation language because section 1241(a)(2) of the Food Security Act of 1985 provides that beginning in FY 1988 expenses of the CRP must be funded from a separate CRP appropriation. The language was needed in FY 1988 since there was no separate direct CRP appropriation in FY 1987 on which to base an amount to be available during the FY 1988 continuing resolutions. In the event that a continuing resolution would be required for FY 1989, partial or full funding would be provided as a separate CRP appropriation based on the FY 1988 CRP appropriation, instead of being financed by the Commodity Credit Corporation.

Conservation Reserve Program

Appropriation Act, 1988.....	\$1,131,000,000
Less: Transfer to other accounts <u>a/</u> .....	-45,240,000
Adjusted Appropriation, 1988.....	1,085,760,000
Budget Estimate, 1989 .....	1,864,000,000
Increase in Appropriation .....	+ 778,240,000

a/ Reflects funds transferred to the Soil Conservation Service for technical assistance related to conservation activities under the Food Security Act of 1985, in accordance with Public Law 100-202.

SUMMARY OF INCREASES AND DECREASES  
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Annual rental payments ..	—	b/+ \$1,196,000,000	c/ \$1,196,000,000
Cost-sharing assistance .	\$1,066,000,000	d/ -406,000,000	660,000,000 e/
Technical assistance ....	19,760,000	-11,760,000	8,000,000
Total available .....	<u>\$1,085,760,000</u>	<u>+ \$778,240,000</u>	<u>\$1,864,000,000</u>

b/ In fiscal year 1988 the entire amount of annual rental payments of approximately \$778 million were paid with CCC commodity certificates.

c/ Reflects funds needed to make payments on prior year rental agreements (excludes an estimated \$297 million in rental payments to be paid by CCC commodity certificates).

d/ Includes funds paid to the Commodity Credit Corporation as reimbursement of CRP cost sharing expenses, which were incurred by the Corporation during the fiscal year 1988 short term Continuing Resolutions (October 1, 1987 through December 21, 1981), in accordance with P.L. 100-202.

e/ Estimated cover cost payments for 12 million 1989 crop acres.

PROJECT STATEMENT  
(On basis of adjusted appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
Annual rental payments ...	--	--	+\$1,196,000,000	\$1,196,000,000
Cost-sharing assistance ..	--	\$1,066,000,000	-406,000,000	660,000,000
Technical assistance .....	--	19,760,000	-11,760,000	8,000,000
Total, appropriation or estimate .....	--	<u>\$1,085,760,000</u>	<u>+ \$778,240,000</u>	<u>\$1,864,000,000</u>

PROJECT STATEMENT

(On a comparable basis without regard to fund source)

Project	1987 Actual a/	1988 Estimated	Increase or Decrease	1989 Estimated
Annual rental payments (cash)....	\$131,812 b/	— c/	+\$1,196,000,000	\$1,196,000,000
Cost-sharing assistance .....	244,962,296	\$1,066,000,000	-406,000,000	660,000,000
Technical assistance .....	21,930,033	19,760,000	-11,760,000	8,000,000
Total, appropriation or estimate.....	\$267,024,141	\$1,085,760,000	+\$778,240,000	\$1,864,000,000

- a/ Pursuant to the Food Security Act of 1985, program costs in fiscal year 1987 were funded directly by the Commodity Credit Corporation. Thereafter, funding is through a separate advance appropriation to CCC.
- b/ In FY 1987, \$410.0 million in annual rental payments were paid with CCC commodity certificates. This amount includes a \$326.7 million one-time, one-year bonus, paid as an increased annual rental payment to farmers who enrolled 1987-crop corn base acres into the CRP during the first sign-up of FY 1987, and \$83.3 million in 1986 crop rental payments.
- c/ In FY 1988 approximately \$778 million in annual rental payments were paid with CCC commodity certificates.

EXPLANATION OF PROGRAM

The Conservation Reserve Program was established as a voluntary program to help farmers prevent or control the critical soil erosion now occurring on more than a third of America's cropland. The Reserve also helps adjust the production of some surplus agricultural commodities.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on highly erodible cropland. It is administered by the Commodity Credit Corporation (CCC) under the general supervision of the Administrator, ASCS, and is carried out by State and local ASC committees. Farmers decide what highly erodible cropland to offer for the reserve and submit bids on the amount they would accept as an annual rental payment for a 10-year period. Farmers whose bids are accepted then enter into a 10-year contract with CCC to take eligible land out of annual crop production and put it into permanent vegetative cover. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

The Food Security Act establishes the following participation levels:

- o crop year 1986: 5-45 million acres
- o crop year 1987: 15-45 million acres, cumulative
- o crop year 1988: 25-45 million acres, cumulative
- o crop year 1989: 35-45 million acres, cumulative
- o crop year 1990: 40-45 million acres, cumulative.

1988 Program

1. Program Direction. During fiscal year 1988, at least two sign-up periods will be held. The first will be February 1-19, 1988, and the second will be in the summer. About 7.1 million crop year 1988 acres were enrolled in fiscal year 1987. In fiscal year 1988 approximately 5.9 million additional crop year 1988 acres are anticipated, making total participation for crop years 1986 through 1988 at least 29 million acres. Also, additional acres may be enrolled in advance during fiscal year 1988 for crop year 1989.



In fiscal year 1988, it is anticipated that many counties in the Great Plains States will reach the 25-percent limitation on the enrollment of cropland in any county.

2. Eligibility. To be eligible to enter a CRP contract, an applicant must:

- be an individual, partnership, association, corporation, estate, trust, other business enterprise or legal entity, or State or local subdivision of a State owning or operating State or local croplands.
- own or operate eligible cropland that
  - a. has been planted to an agricultural commodity in at least two of the five years 1981 through 1985.
  - b. meets the definition of highly erodible land announced by the Secretary for CRP purposes, or is adjacent to certain specified types of waterbodies.
- implement an approved conservation plan.
- refrain from grazing or harvesting any crops from the land enrolled in CRP.
- reduce the aggregate total of acreage bases, allotments, and quotas for the contract period by an amount based on the ratio of the total cropland acreage and the total acreage subject to the CRP contract.

3. Annual Rental Payments. Annual rental payments, subject to compliance certification, are made after October 1 of the effective year of the contract. Rental payments for crop years 1986 and 1987 rental agreements were made beginning after October 1, 1987, and were paid entirely with CCC commodity certificates unless the payment was less than \$100.

4. Cover Practices. Farm owners and operators receive one-time cost-sharing payments for 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

5. Technical Assistance. The technical services of the Soil Conservation Service, Forest Service, and other appropriate agencies are used to carry out the CRP. The SCS determines eligibility of land and assists farmers in preparing conservation plans. The Forest Service and cooperating State forestry agencies help plan and install practices involving trees.

#### JUSTIFICATION OF INCREASE

An increase of \$778,240,000 for estimated expenditures for annual rental payments, cover, and technical assistance costs due in FY 1989 (\$1,085,760,000 available in fiscal year 1988).

Need for Change. In order to facilitate payments for commitments incurred by the Federal Government under Conservation Reserve Program contracts, in accordance with the provisions of the Food Security Act of 1985, funds are needed to make program payments due in fiscal year 1989 only. The appropriation request would fund \$668 million in technical assistance and cover costs associated with enrolling 12 million 1989 crop acres, and the cash portion of projected annual rental payments due in fiscal year 1989 on 1986, 1987, and 1988-crop acres. The decrease in cover costs is due primarily to no projected carryover cover costs as was the case in fiscal year 1988.

There is an estimated increase of \$715 million in rental payments, from \$778 million in FY 1988 (for crop year 1986 and 1987 acres) to \$1.493 billion in FY 1989. This increase is due to payments on the estimated 13 million 1988-crop acres that will be due in FY 1989.

However, due to the change in CCC commodity certificate financing of rental payments from FY 1988 to FY 1989, the cash requested is higher than the increase in total rental payments due. The FY 1988 rental payments of \$778 million were paid entirely in certificates, whereas only \$297 million in certificate financing is estimated for FY 1989, increasing the need for appropriated funds by \$481 million. The decrease in certificate use in FY 1989 reflects lower projected availability of commodity certificates.

Rental payments for 1989-crop acres would not be due until fiscal year 1990. Therefore, funds to make crop year 1989 rental payments will be requested in the fiscal year 1990 budget.

Nature of Change. The fiscal year 1989 request would provide \$660 million for cost-sharing practices to establish cover on newly enrolled acres; \$1.196 billion for cash rental payments for 1986, 1987, and 1988-crop acreage contracts signed during fiscal years 1986, 1987, and 1988; and \$8 million for Soil Conservation Service, Forest Service and other technical assistance. In addition an estimated \$297 million in CCC commodity certificates would be used to pay the balance of estimated rental payments due in fiscal year 1989. Projected rental payments paid with CCC commodity certificates are not included in the requested CRP appropriation amount. Reimbursement to CCC for commodity certificates used for the CRP, which are recorded as realized losses of the Corporation, will be requested through the CCC fiscal year 1989 budget proposal.

Conservation Reserve Program  
Acres of Commodity Base Enrolled Through Fiscal Year 1987

<u>Commodity</u>	<u>Base Acres</u>
Wheat	6,785,140
Corn	2,664,557
Upland Cotton	914,713
ELS Cotton	956
Oat	790,788
Barley	1,759,355
Sorghum	1,728,271
Rice	4,023
Peanut	1,626
Miscellaneous	<u>429</u>
Total Acres	14,649,858



## COMMODITY CREDIT CORPORATION

The estimates include no appropriation language for this item. (Deleted matter is enclosed in brackets.)

Temporary Emergency Food Assistance Program:

[For necessary expenses to carry out the Temporary Emergency Food Assistance Act of 1983, as amended, \$50,000,000: Provided, That, in accordance with section 202 of Public Law 98-92, these funds shall be available only if the Secretary determines the existence of excess commodities.]

This change proposes deletion of the language related to administrative expenses for the Temporary Emergency Food Assistance Program since no funding is proposed for this program in Fiscal Year 1989. Legislative authority for this Program expires at the end of Fiscal Year 1988.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Appropriations Act, 1988 .....	\$50,000,000
Budget Estimate, 1989 .....	--
Decrease in Appropriation .....	<u>-50,000,000</u>

SUMMARY OF DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Temporary Emergency Food Assistance .....	<u>\$50,000,000</u>	<u>-\$50,000,000</u>	<u>--</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>: 1987 : Actual</u>	<u>: 1988 : Estimated</u>	<u>: Decrease</u>	<u>: 1989 : Estimated</u>
Temporary Emergency Food Assistance.....	<u>: \$50,000,000</u>	<u>: \$50,000,000</u>	<u>: -\$50,000,000</u>	<u>: --</u>

EXPLANATION OF PROGRAM

Section 204 of Public Law 98-8, as amended by Public Law 98-92, appropriated funds for Fiscal Year 1983 and authorized funds through Fiscal Year 1985 for costs of storage and intrastate distribution of CCC commodities donated to individuals by States. Public Law 100-77 authorized funds through Fiscal Year 1988 for this purpose.

Funds are distributed by the Food and Nutrition Service to States through grants. Allocation of the funds to States is based on a formula which considers the States' number of unemployed persons and the number of persons with incomes below the poverty level. During Fiscal Year 1987, \$50 million was used for this purpose, and over 1,015 million pounds of surplus food valued at \$846.4 million was donated to States for use in TEFAA.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$50,000,000 for the temporary storage and distribution of commodities.

Need for Change. The Temporary Emergency Food Assistance Act (TEFAA) expires September 30, 1988. Moreover, the CCC commodity inventory has significantly declined since enactment of TEFAA. USDA dairy inventories have decreased from a peak of 2.8 billion pounds at the end of Fiscal Year 1983 to an estimated 250 million pounds of uncommitted inventory at the end of Fiscal Year 1987.

Nature of Change. No funds are requested for the costs of storage and intrastate distribution in Fiscal Year 1989. If excess commodities become available for distribution to needy persons, distribution will be made under authorities other than TEFAA which will remain in effect during Fiscal Year 1989. As is currently done under such authorities, State, local and voluntary resources could be used for storage and intrastate distribution.

ADMINISTRATIVE EXPENSES  
UNDER THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM  
FISCAL YEAR 1987 AND ESTIMATED 1988 AND 1989

State/Territory	Actual FY 1987	Estimated FY 1988	Estimated FY 1989
Alabama-----	\$1,125,711	\$1,097,176	\$0
Alaska-----	0	0	0
Arizona-----	585,682	631,762	0
Arkansas-----	637,540	654,234	0
California-----	4,696,998	4,709,535	0
Colorado-----	578,871	674,319	0
Connecticut-----	418,177	416,687	0
Delaware-----	109,562	96,927	0
District of Columbia-----	169,982	175,950	0
Florida-----	2,015,047	2,076,603	0
Georgia-----	1,295,787	1,302,937	0
Hawaii-----	159,663	149,422	0
Idaho-----	214,345	221,234	0
Illinois-----	2,443,019	2,531,831	0
Indiana-----	966,473	983,969	0
Iowa-----	508,683	444,236	0
Kansas-----	391,919	387,526	0
Kentucky-----	1,044,717	1,085,643	0
Louisiana-----	1,430,788	1,388,745	0
Maine-----	216,537	210,192	0
Maryland-----	632,856	680,371	0
Massachusetts-----	839,227	840,231	0
Michigan-----	2,000,668	2,047,288	0
Minnesota-----	668,668	660,185	0
Mississippi-----	937,332	899,242	0
Missouri-----	944,903	1,017,824	0
Montana-----	171,869	165,976	0
Nebraska-----	258,021	261,921	0
Nevada-----	145,364	154,891	0
New Hampshire-----	123,443	116,723	0
New Jersey-----	1,184,286	1,142,467	0
New Mexico-----	377,043	385,227	0
New York-----	3,694,997	3,438,613	0
North Carolina-----	1,248,850	1,233,238	0
North Dakota-----	136,634	121,839	0
Ohio-----	2,134,804	2,125,606	0
Oklahoma-----	730,944	717,376	0
Oregon-----	590,550	502,295	0
Pennsylvania-----	2,227,933	2,079,739	0
Rhode Island-----	140,136	150,553	0
South Carolina-----	745,616	747,325	0
South Dakota-----	144,464	144,699	0
Tennessee-----	1,194,453	1,189,040	0
Texas-----	3,937,086	4,065,780	0
Utah-----	251,511	289,859	0
Vermont-----	88,326	85,850	0
Virginia-----	958,824	975,892	0
Washington-----	819,456	876,736	0
West Virginia-----	471,509	467,158	0
Wisconsin-----	782,466	771,599	0
Wyoming-----	97,784	90,194	0
American Samoa-----	0	0	0
Guam-----	26,241	27,297	0
N. Mariana Islands---	10,339	10,603	0
Puerto Rico-----	2,246,884	2,249,631	0
Trust Territory-*---	0	0	0
Virgin Islands-----	27,012	27,804	0
Indian Tribes-----	0	0	0
Undistributed-----	0	0	0
TOTAL-----	\$50,000,000	\$50,000,000	\$0

\* Includes the Marshall Islands, Federated States of Micronesia and Palau.



## COMMODITY CREDIT CORPORATION

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

General Sales Manager (Allotment from Commodity Credit Corporation):

- Not to exceed [\$7,157,000] \$7,268,000 may be transferred from the Commodity Credit Corporation funds to support the General Sales Manager[, of which up to
- 1 \$4,000,000 shall be available only for the purpose of selling surplus agricultural commodities from Commodity Credit Corporation inventory in world trade at competitive prices for the purpose of regaining and retaining our normal share of world markets]. The General Sales Manager shall report directly to the Secretary of Agriculture. The General Sales Manager shall obtain, assimilate, and analyze all available information on developments related to private sales, as well as those funded by the Corporation, including grade and quality as sold and as delivered, including information relating to the effectiveness of greater reliance by the General Sales Manager upon loan guarantees as contrasted to direct loans for financing commercial export sales of agricultural commodities out of private stocks on credit terms, as provided in titles I and II of the Agricultural Trade Act of 1978, Public Law 95-501, and
  - 2 shall submit [quarterly] annual reports to the appropriate committees of Congress concerning such developments.

The first change in the language is for the purpose of providing the General Sales Manager with the necessary flexibility needed to allocate available resources according to changing workload demands.

The second change proposes to change the quarterly reporting requirement to an annual reporting requirement.

GENERAL SALES MANAGER  
ALLOTMENT FROM COMMODITY CREDIT CORPORATION

Allotment, 1988 .....	\$7,157,000
Budget Estimate, 1989 .....	7,268,000
Increase in Allotment .....	+ 111,000
	=====

SUMMARY OF INCREASES AND DECREASES  
(On basis of allotment)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
General Sales Manager	\$7,157,000	\$111,000	\$7,268,000

PROJECT STATEMENT  
(On basis of allotment)

Project	1987 Actual	1988 Estimated	1989 Estimated
	: Staff:	: Staff:	: Staff:
	: Amount	: Amount	: Amount
	: Years:	: Years:	: Years:
General Sales Manager .....	\$6,953,000 : 116	\$7,157,000 : 116	\$7,268,000 : 116
Total available or estimate .....	6,953,000 : 116	7,157,000 : 116	\$7,268,000 : 116

EXPLANATION OF PROGRAM

The General Sales Manager was established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p. The funds allocated are used for conducting the following programs:

(1) CCC Export Credit Guarantee Program (GSM-102), (2) Intermediate Credit Guarantee Program (GSM-103), (3) Export Enhancement Program, (4) Targeted Export Assistance Program, (5) Public Law 480, (6) Section 416 Overseas Donations program, (7) Food for Progress, and (8) programs authorized by the Commodity Credit Corporation Charter Act including barter, export sales of CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

REVIEWS COMMENCED DURING FY 1987

GAO Reviews

Code	Review of Implementation of 1985	Review of USDA program
483472	Food Security Act Barter Provisions	administration
Code	International Trade - CCC's Refunds	Review of USDA program
483475	of Export Credit Guarantee Fees	administration

OIG Reviews

Wa-752-1	Violation of Title I, PL 480 Program Investigation
----------	--



NY-799-29 False Statements - Dairy Termination Investigation  
Program

SF-754-1 Export Enhancement Program Violations Investigation

REVIEWS COMPLETED DURING FY 1987

GAO Reviews

Code 483411	Review of Administration of Export Enhancement Program	Final Report GAO/NSIAD-87-74BR issued 3/17/87
Code 472120	Review of Selected Aspects of PL 480 and Food Security Act of 1985	Final Report GAO/NSIAD-87-94BR issued 3/27/87
Code 483475	International Trade: CCC's Refund of Export Credit Guarantee Fees	Final Report GAO/NSIAD-87-185 issued 8/19/87
Code 483472	International Trade: Implementation of 1985 Food Security Act Barter Provisions	Final Report GAO/NSIAD-87-181BR issued 6/30/87

OIG Reviews

Wa-3630-1	Violation of GSM-102 Program Regulations	Investigation Report issued 2/10/87
NY-799-29	False Statements: Beef - Brazil	Final Report issued 7/21/87
50099-32-Hy	PL 480 Title II Evaluation of Program Objectives	Final Report issued 6/26/87
50099-43-Hy	Beef Sales to Brazil	Review of FAS program administration
07099-11-Hy	Direct Sales from CCC Inventory	Final Report issued 5/29/87
07099-9-Hy	Survey of PL 480 Title II Private Voluntary Organization Use of Foreign Currencies	Final Report issued 2/9/87
50010-2-Hy	FAS/ASCS Title I PL 480 Fiscal Accountability	Final Report issued 2/19/87
7099-7-Hy	PL 480 Title I U.S. Flag Vessel Rates	Final Report issued 6/30/87

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$111,000 for the General Sales Manager (\$7,157,000 available in 1988).

Need for Change. The program level for the Targeted Export Assistance (TEA) program, as presently mandated by the Food Security Act of 1985, will increase from \$110 million in fiscal year 1988 to \$325 million in fiscal year 1989. Additional resources are necessary to administer this expanding program, particularly in the areas of project planning, evaluation and program review.

Nature of Change. This increase will partially offset the increased costs of administering the expanded TEA program, particularly travel and related costs associated with expanding on-site compliance reviews of TEA participant programs.

General Sales Manager  
 Allotment from Commodity Credit Corporation  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia	\$6,953,000	116	\$7,157,000	116	\$7,268,000	116
Total, Available						
or Estimate . . .	\$6,953,000	116	\$7,157,000	116	\$7,268,000	116
	=====					

## HUMAN NUTRITION INFORMATION SERVICE

Purpose Statement

The Human Nutrition Information Service (HNIS) was established October 1, 1981, by the Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). Most of the functions of this Agency have been carried out by USDA for several decades. HNIS activities are in one major category: Research, Analysis and Technical Assistance which is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of food consumption by U.S. households and individuals and nutritional adequacy of diets and food supplies, as well as the nutritive value of food, and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

The Agency has primary responsibility for the Department's role in the National Nutrition Monitoring System and in formulating dietary guidelines for healthy Americans. It is the primary national resource for information on the nutritive value of foods.

The Agency is located at Hyattsville, Maryland, and Beltsville, Maryland. As of September 30, 1987, there were seventy-six full-time permanent and fifteen part-time employees.

## HUMAN NUTRITION INFORMATION SERVICE

Available Funds and Staff-Years1987 Actual and Estimated 1988 and 1989

Item	1987		1987		1989	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses.....	\$ 6,985,000	90	\$ 8,623,000	90	\$ 9,288,000	90
<u>Obligations under other USDA</u>						
<u>appropriations:</u>						
Miscellaneous reimbursements:	3,094	0	0	0	0	0
Total, Human Nutrition						
Information Service.....	\$ 6,988,094	90	\$ 8,623,000	90	\$ 9,288,000	90

Full-Time Equivalent Staff-Years:	1987 <u>Actual</u>	1988 <u>Estimated</u>	1989 <u>Estimated</u>
Ceiling.....	90	90	90
Non-ceiling.....	--	--	--
Total	90	90	90

HUMAN NUTRITION INFORMATION SERVICE  
Permanent Positions by Grade and Staff-Year Summary  
1987 and Estimated 1988 and 1989

Grade	1987 Headquarters	1988 Headquarters	1989 Headquarters
GS/GM-15	4	4	4
GS/GM-14	4	5	5
GS/GM-13	11	11	11
GS-12	12	13	13
GS-11	15	15	15
GS-9	13	12	12
GS-8	1	1	1
GS-7	3	3	3
GS-6	4	4	4
GS-5	7	7	7
GS-4	2	3	3
GS-3	1	1	1
Total Permanent Positions.....	77	79	79
Staff Years			
Ceiling.....	90	90	90
Non-Ceiling.....	--	--	--
TOTAL.....	90	90	90

## HUMAN NUTRITION INFORMATION SERVICE

CLASSIFICATION BY OBJECTS1987 and Estimated 1988 and 1989

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel Compensation:			
Headquarters:			
11 Total personnel compensation.....	\$ 2,898,212	\$ 2,960,000	\$ 2,960,000
12 Personnel Benefits.....	374,178	488,000	600,000
13 Benefits for former personnel.....	---	---	---
Total Pers. Comp. & Benefits.....	3,272,390	3,448,000	3,560,000
Other Objects:			
21 Travel.....	54,894	50,000	80,000
22 Transportation of things.....	24,819	4,000	5,000
23.2 Rental payments to others.....	---	---	---
23.3 Communications, utilities, and misc. charges.....	56,667	200,000	100,000
24 Printing and reproduction.....	96,199	100,000	100,000
25 Other services.....	3,042,310	4,461,000	5,263,000
26 Supplies and materials.....	94,818	150,000	70,000
31 Equipment.....	134,480	210,000	110,000
Total other objects.....	3,504,187	5,175,000	5,728,000
Total direct obligations.....	6,776,577	8,623,000	9,288,000
<u>Position Data:</u>			
Average Salary, GS positions.....	\$32,783	\$31,949	\$31,949
Average Grade, GS positions.....	10.2	10.0	10.0



## HUMAN NUTRITION INFORMATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to enable the Human Nutrition Information Service to perform applied research and demonstrations relating to human nutrition and consumer use and economics of food utilization [~~\$8,623,000~~] \$9,288,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

SALARIES AND EXPENSES

Appropriation Act, 1988 .....	\$8,623,000
Budget Estimate, 1989 .....	9,288,000
Increase in Appropriation .....	<u>+ 665,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Cost</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Human Nutrition Information Service	\$8,623,000	+\$115,000	+\$550,000	\$9,288,000

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>		<u>1988 Estimated</u>		<u>Increase</u>	<u>1989 Estimated</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>		<u>Amount</u>	<u>Staff- Years</u>
1. Research, Analysis and Technical Assistance	6,776,577	90	8,623,000	90	+665,000	9,288,000	90
Unobligated Balance.....	208,423	--	---	--	---	---	--
Total available or estimate.....	6,985,000	90	8,623,000	90	+665,000	9,288,000	90
Total appropriations.....	6,985,000	90	8,623,000	90	+665,000	9,288,000	90

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Human Nutrition Information Service funds the activities authorized by Sections 1451-1453 and 1589 of Public Law 99-198 (7 U.S.C. 3173 note and 3178a). The activities carried out are as follows:

- Research, Analysis, and Technical Assistance - This activity is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of the nutritional adequacy of diets and food supplies as well as the nutritive value of foods and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$655,000 consisting of:

- (a) An increase of \$115,000 to annualize FY 1988 pay costs.
- (b) An increase of \$550,000 for analysis of data from the Nationwide Food Consumption Survey (NFCS) and from the Continuing Survey of Food Intakes by Individuals (CSFII).

Need for Change. Data collection of NFCS-1987 will be completed in 1988 and data collection for CSFII will be initiated in 1989.

Nature of Change. A major portion of the indepth analysis of NFCS-1987 will be initiated and preliminary analysis of CSFII-1989 will begin.

HUMAN NUTRITION INFORMATION SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS  
1987 and Estimated 1988 and 1989

	<u>1987</u>		<u>1988</u>		<u>1989</u>	
	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>
Maryland.....	\$ 6,776,577	90	\$ 8,623,000	90	\$9,288,000	90
Total, Available or Estimate.....	6,776,577	90	8,623,000	90	9,288,000	90



## FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The Food and Nutrition Service administers food assistance programs which provide access to a more nutritious diet for persons with low incomes and encourage better eating patterns among the nation's children. The programs are:

Food Stamp Program. Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. The Food and Nutrition Service administers the program in cooperation with State welfare agencies, and provides for the full cost of the food stamps in addition to sharing all direct and indirect administrative costs incurred by the States on a 50-50 basis. States also receive 75 percent of their costs incurred for developing food stamp computer systems and 75 percent of their costs for fraud investigations and prosecutions. In addition, States' Employment and Training (E&T) costs, up to a certain level, are paid entirely from federal funds. Additional State (E&T) costs and the costs incurred by participants in fulfilling their E&T obligation are shared on a 50-50 basis by the States and the Federal government. Funds for this program are provided by direct appropriation.

Nutrition Assistance for Puerto Rico. As a result of the Omnibus Budget Reconciliation act of 1981, the Food and Nutrition Service now provides the Commonwealth of Puerto Rico with a nutrition assistance grant which gives the Commonwealth broader flexibility to establish a food assistance program specifically tailored to the needs of their low-income households. Since July 1, 1982, the Commonwealth has been providing food assistance to low-income households in the form of cash grants, rather than coupons. Funds for this program are provided by direct appropriation.

Child Nutrition Programs. The Child Nutrition Programs--the National School Lunch, School Breakfast, Summer Food Service and Child Care Food Programs--provide funding for the service of nutritious meals to needy and other children attending schools, child care institutions, and summer recreational programs as a means of safeguarding the health and proper physical development of the nation's children. The Food and Nutrition Service works through State agencies, providing them with cash and commodities for use in preparing and serving meals, and administers the various child nutrition programs directly in cases where the State has chosen not to administer the programs. Funds for these programs are provided by direct appropriation and by transfer from Section 32.

Special Milk Program. The Special Milk Program provides funding for milk service in some kindergartens, as well as in schools, nonprofit child care centers and camps which have no other federally assisted food programs. Milk is provided to children either free or at a low cost. The Food and Nutrition Service provides cash subsidies to State-administered programs and directly administers the program in the States which have chosen not to administer the program. Funds for this program are provided by direct appropriation.

### Supplemental Feeding Programs

Special Supplemental Food Program (WIC). In the WIC Program, pregnant, post-partum and breastfeeding women and infants and children up to five years of age who are found to be at "nutritional risk" receive at no cost supplemental foods and nutrition education from their local health clinics. State departments of health receive cash grants from the Food and Nutrition Service for this activity. Twenty percent of the total program funding is provided to the States for State and local administrative costs. Funds for this program are provided by direct appropriation.

Commodity Supplemental Food Program (CSFP). The CSF Program provides supplemental food to low-income pregnant, postpartum and breastfeeding women, infants, children up to age six and the elderly. The foods are purchased directly by the Department of Agriculture and distributed through State and local agencies to eligible women, infants, children and persons 60 years of age or older. The Food and Nutrition Service provides cash assistance to distributing agencies to offset their operating expenses at a rate of 15 percent of appropriated funding plus 15 percent of the value of donated commodities.

### Cash and Commodities for Selected Groups

Food Distribution Program on Indian Reservations. The Food Distribution Program on Indian Reservations provides USDA donated foods to help meet the nutritional needs of low-income households on Indian reservations, Indian households near these reservations and the former Trust Territory of the Pacific Islands. The program also helps to expand markets for food produced by American farmers. Monthly packages of USDA donated commodities are distributed to beneficiary households from local warehouse facilities. Participating agencies can order food items according to households' preferences. Participants receive information about nutrition, proper food storage, sanitary food preparation methods and suggestions for using donated foods from nutritionists, County Extension Home Economists and other sources. Funds for this program are provided by direct appropriation.

Nutrition Program for the Elderly. The Nutrition Program for the Elderly provides nutritious meals for elderly persons. State Agencies on Aging designate Area Agencies on Aging to plan and coordinate the nutrition program through local outlets. The State Agencies on Aging request USDA-donated foods, cash in lieu of food, or a combination of both to provide meals to the elderly at various sites. The amount of food or cash that USDA gives each State is based on the number of meals served in the program and the level of available funds. Funds for this program are provided by direct appropriation.

Temporary Emergency Food Assistance Program (TEFAP). The Temporary Emergency Food Assistance Program provides funding for the intrastate storage and distribution of USDA donated commodities. The funds are made available to State and local distributing organizations through grants administered by the Food and Nutrition Service.

Under this program, assistance may be provided to cover the costs incurred by charitable institutions, food banks, hunger centers, soup kitchens, and similar non-profit eligible recipient agencies providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

The allocation of funds to the States is based upon a formula which considers the States' unemployment level and the number of persons with incomes below the poverty level. Funds for this program are provided by direct appropriation.



Food Program Administration. This account provides for personnel compensation and benefits and the operating expenses of the Food and Nutrition Service. The Headquarters of the Agency is in Alexandria, Virginia. The Food and Nutrition Service maintains seven regional offices located at: Boston, Massachusetts; Robbinsville, New Jersey; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado and San Francisco, California. On September 30, 1987, there were 1,884 full-time permanent and 93 part-time and temporary employees, of which 616 were in the headquarters office and 1,361 in the field. Of the field total, 885 employees were stationed in seven regional offices and the balance in 36 Food Stamp Compliance offices; one computer support center in Minneapolis, Minnesota; five Administrative Review offices and 64 field offices. Funds for these activities are provided by direct appropriation.

FOOD AND NUTRITION SERVICE  
Available Funds and Staff-Years  
1987 Actual and Estimated, 1988 and 1989

Page 1 of 2

Item	1987		1988		1989	
	Actual		Estimated		Estimated	
	Amount	Staff :Years	Amount	Staff :Years	Amount	Staff :Years
Child Nutrition Programs:						
Appropriation.....	1,064,923,000:		679,826,000:		515,855,000:	
Transfer from						
Section 32.....	3,295,937,000:		3,817,803,000:		4,093,272,000:	
Total - Child	[a]:		[b]:		[c]:	
Nutrition Programs.....	4,360,860,000:	14:	4,497,629,000:	20:	4,609,127,000:	20
	[d]:		[e]:		[f]:	
Special Milk Program.....	18,295,000:		21,500,000:		19,925,000:	
Supplemental Feeding	[g]:		[h]:		[i]:	
Programs.....	1,704,994,000:		1,852,363,000:		1,923,848,000:	
	[j]:		[k]:			
Food Stamp Program.....	11,831,915,000:	12:	12,678,507,000:	5:	12,519,705,000:	
Nutrition Assistance						
for Puerto Rico.....	852,750,000:		879,250,000:		908,250,000:	
Cash and Commodities for						
Selected Groups.....	193,589,000:		194,108,000:		199,147,000:	
	[l]:					
Food Program Administration	84,767,000: 1,868:		85,828,000: 1,915:		94,825,000: 1,830	
Total, Food and Nutrition						
Service Funds.....	19,047,170,000: 1,894:		20,209,185,000: 1,940:		20,274,827,000: 1,850	
Obligations under other						
USDA Appropriations:						
Human Nutrition Information						
Service for Administrative						
Support.....	205,000:	5:	210,000:	5:	210,000:	5
Office of International						
Cooperation and Development..	41,000:	1:				
Agricultural Marketing						
Service.....	15,000:					
Agricultural Stabilization						
and Conservation Service....	15,000:					
Office of Personnel.....	10,000:					
Total, Other USDA						
Appropriations.....	286,000:	6:	210,000:	5:	210,000:	5
Other Federal Funds:						
Army Audit Agency						
for Health Services.....	10,000:					
Walter Reed Army Medical						
Center for Social Science						
Services.....	32,000:					
Total, Other Federal Funds..	42,000:					
Total, Food and						
Nutrition Service.....	19,047,498,000: 1,900:		20,209,395,000: 1,945:		20,275,037,000: 1,855	

FOOD AND NUTRITION SERVICE  
Available Funds and Staff-Years  
1987 Actual and Estimated, 1988 and 1989

Page 2 of 2

---

Full-Time Equivalent Staff Years:	1987 Actual	1988 Estimated	1989 Estimated
Ceiling.....	1,879	1,910	1,820
Non-Ceiling.....	21	35	35
<hr/>			
Total.....	1,900	1,945	1,855

---

- [a] Excludes \$8,389,590 in unobligated balances.
- [b] Excludes \$28,117,921 in unobligated balances.
- [c] Excludes \$118,555,921 in unobligated balances.
- [d] Excludes \$1,513,623 in unobligated balances.
- [e] Excludes \$2,358,000 in unobligated balances.
- [f] Excludes \$2,189,000 in unobligated balances.
- [g] Excludes \$62,832 in unobligated balances and \$368,959 in recoveries of prior year obligations.
- [h] Excludes \$745,991 in unobligated balances.
- [i] Excludes \$4,791,798 in unobligated balances.
- [j] Includes transfer of \$38,627,000 to Extension Service.
- [k] Includes transfer of \$39,627,000 to Extension Service.
- [l] Excludes transfer of \$27,000 to Departmental Administration.

## FOOD AND NUTRITION SERVICE

## Permanent Positions by Grade and Staff-Year Summary

1987 and Estimated 1988 and 1989

Grade	1987			1988			1989		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-4	1	6	7	1	6	7	1	6	7
ES-3	1	1	2	1	1	2	1	1	2
ES-2	1	0	1	1	0	1	1	0	1
ES-1	3	0	3	3	0	3	3	0	3
GS/GM-15	19	6	25	19	6	25	19	6	25
GS/GM-14	61	32	93	61	32	93	61	32	93
GS/GM-13	105	77	182	106	79	185	105	78	183
GS-12	130	181	311	132	182	314	132	181	313
GS-11	136	341	477	139	365	504	152	373	525
GS-10	0	1	1	0	1	1	0	1	1
GS-9	24	254	278	33	239	272	22	242	264
GS-8	9	7	16	9	7	16	9	7	16
GS-7	53	64	117	43	69	112	37	60	97
GS-6	36	48	84	36	48	84	36	47	83
GS-5	55	147	202	50	130	180	51	121	172
GS-4	23	51	74	24	52	76	22	50	72
GS-3	5	7	12	4	6	10	3	6	9
GS-2	2	1	3	2	1	3	2	1	3
Ungraded Positions	6	0	6	6	0	6	6	0	6
Total Permanent Positions	670	1,224	1,894	670	1,224	1,894	663	1,212	1,875
Staff-Years:									
Ceiling	665	1,214	1,879	673	1,237	1,910	643	1,177	1,820
Non-Ceiling	4	17	21	7	28	35	7	28	35
TOTAL	669	1,231	1,900	680	1,265	1,945	650	1,205	1,855

## FOOD AND NUTRITION SERVICE

## CLASSIFICATION BY OBJECTS

(dollars in thousands)

	Actual 1987	Estimated 1988	Estimated 1989
Personnel Compensation:			
Headquarters	\$ 19,892	\$ 21,223	\$ 21,038
Field	38,250	40,389	39,897
11 Total personnel compensation	58,142	61,612	60,935
12 Personnel benefits	7,705	8,472	8,381
13 Benefits for former personnel	48	46	46
Total pers. comp and benefits	65,895	70,130	69,362
Other Objects:			
21 Travel	2,995	3,379	3,468
22 Transportation of things	2,742	2,823	2,932
23.2 Rental payments to others	320	436	450
23.3 Communications, utilities and misc. charges	4,035	4,649	5,097
24 Printing and reproduction	18,412	26,037	25,211
25 Other Services	38,488	34,860	54,695
26 Supplies and materials (including commodities)	208,155	239,577	264,747
31 Equipment	1,163	1,463	3,366
32 Land and structures	20	0	0
41 Grants, subsidies and contributions	18,456,395	19,691,889	20,133,036
42 Insurance claims and indemnities	5	0	0
43 Interest and dividends	1	0	0
Total other objects	18,732,731	20,005,113	20,493,002
Total direct obligations	18,798,626	20,075,243	20,562,364

## Position Data:

Average Salary, ES positions.....	70,500	70,500	70,500
Average Salary, GS positions.....	30,697	31,557	31,620
Average Grade, GS positions.....	9.8	9.9	9.9

## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

PROGRAM LEVEL	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program-----	3,000,839	2,989,067	3,182,419	193,352
b. School breakfast program-----	468,272	483,448	514,498	31,050
c. State administrative expenses---	49,800	54,289	58,411	4,122
d. Summer food service program-----	127,973	137,577	147,824	10,247
e. Child care food program-----	551,308	582,386	645,932	63,546
TOTAL, Cash payments to States-----	4,198,192	4,246,767	4,549,084	302,317
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities-----	127,295	157,289	176,514	19,225
b. AMS Section 32 commodities-----	350,118	350,900	350,900	0
c. CCC bonus commodities-----	378,734	378,734	378,734	0
d. AMS bonus commodities-----	76,991	76,991	76,991	0
TOTAL, Commodities to States-----	933,138	963,914	983,139	19,225
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)-----	2,468	2,085	2,085	0
b. Nutrition education and training, section 19-----	4,990	1,050	0	-1,050
TOTAL, Nutrition studies and education-----	7,458	3,135	2,085	-1,050
TOTAL, Child Nutrition Programs-----	5,138,788	5,213,816	5,534,308	320,492
AMS Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	378,734	378,734	378,734	0
AMS bonus commodities-----	76,991	76,991	76,991	0
FNS Child nutrition account-----	4,332,945	4,407,191	4,727,683	320,492
B. Special Milk Program:				
1. Cash Payments to States-----	17,451	21,669	22,114	445
C. Supplemental Feeding Programs (WIC and CSFP):				
1. Special Supplemental Food Program (WIC):				
a. Cash Grants to States -----	1,661,551	1,800,330	1,873,749	73,419
b. Studies and Evaluations-----	1,992	2,100	3,000	900
TOTAL, Special Supplemental Food Program (WIC)-----	1,663,543	1,802,430	1,876,749	74,319
2. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food-----	32,115	35,293	37,969	2,676
b. Payments to distributing agencies for administration-----	6,225	7,500	7,065	-435
c. Special administrative funds---	2,732	3,094	3,186	92
d. CCC donations-----	17,357	20,626	21,243	617
SUBTOTAL, Commodity Supplemental Food Program (CSFP)-----	58,429	66,513	69,463	2,950
3. Increased services to women, infants and children-----	0	0	3,671	3,671
TOTAL, CSFP and WIC services-----	58,429	66,513	73,134	6,621
TOTAL, Supplemental Feeding Programs (WIC and CSFP)-----	1,721,972	1,868,943	1,949,883	80,940
E. Food Stamp Program:				
1. Benefit costs-----	10,516,865	11,459,451	11,430,251	-29,200
2. State administrative costs-----	993,241	1,030,984	1,073,255	42,271
3. Other program costs-----	111,387	148,445	178,199	29,754
4. Excess state error liabilities-----	0	0	0	0
5. Transfer to Extension Service-----	0	0	0	0
TOTAL, Food Stamp Program-----	11,621,493	12,638,880	12,681,705	42,825
F. Nutrition Assistance for Puerto Rico---	852,750	879,250	908,250	29,000



## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

PROGRAM LEVEL	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
-----				
G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps-----	40,637	40,736	41,641	905
b. Distributing agency administrative costs-----	14,805	15,363	16,213	850
Total, Food Distribution Program on Indian Reservations-----	55,442	56,099	57,854	1,755
2. Nutrition Program for the Elderly:				
a. Commodities-----	7,258	7,060	7,065	5
b. Cash in lieu of commodities-----	122,752	130,949	134,228	3,279
Total, Nutrition Program for the Elderly-----	130,010	138,009	141,293	3,284
TOTAL, Cash and Commodities for Selected Groups-----	185,452	194,108	199,147	5,039
-----				
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Food Distr. Program-----	11,658	11,658	11,658	0
(b) Nutrition Program for the Elderly-----	5,403	5,403	5,403	0
(c) Charitable institutions-----	140,596	140,596	140,596	0
(d) Summer camps-----	4,858	4,858	4,858	0
(e) Disaster feeding-----	517	0	0	0
Section 32 bonus				
(a) Food Distr. Program-----	2	2	2	0
(b) Nutrition Program for the Elderly-----	2,054	2,054	2,054	0
(c) Charitable institutions-----	11,998	11,998	11,998	0
(d) Summer camps-----	233	233	233	0
(e) Disaster feeding-----	1,093	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities-----	846,444	846,444	846,444	0
2. Grants:				
TEFAP Administrative Expense-----	50,000	50,000	0	-50,000
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets-----	1,074,856	1,073,246	1,023,246	-50,000
-----				
I. Food Program Administration:				
1. Child nutrition-----	27,247	27,825	34,194	6,369
2. Special milk-----	151	154	161	7
3. Special supplemental food-----	6,891	7,038	7,337	299
4. Food stamp-----	48,190	49,214	51,461	2,247
5. Food donations-----	1,769	1,807	1,882	75
TOTAL, Food Program Administration-----	84,248	86,038	95,035	8,997
-----				
GRAND TOTAL, Food Assistance-----	20,697,010	21,975,950	22,413,688	429,028
-----				
Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	558,606	561,875	562,492	617
TEFAP Commodities and Administrative Expense-----	896,444	896,444	846,444	-50,000
AMS bonus commodities-----	91,278	91,278	91,278	0
FNS-----	18,800,564	20,075,453	20,562,574	478,411
-----				

## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

BUDGET AUTHORITY	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program-----	3,012,805	3,068,186	3,063,863	-4,323
b. School breakfast program-----	473,326	479,819	514,498	34,679
c. State administrative expenses----	51,217	54,289	58,411	4,122
d. Summer food service program-----	128,290	137,649	147,824	10,175
e. Child care food program-----	560,457	599,837	645,932	46,095
TOTAL, Cash payments to States-----	4,226,095	4,339,780	4,430,528	90,748
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities-----	127,295	154,714	176,514	21,800
b. AMS Section 32 commodities-----	350,118	350,900	350,900	0
c. CCC bonus commodities-----	0	0	0	0
d. AMS bonus commodities-----	0	0	0	0
TOTAL, Commodities to States-----	477,413	505,614	527,414	21,800
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)-----	2,470	2,085	2,085	0
b. Nutrition education and training, section 19-----	5,000	1,050	0	-1,050
TOTAL, Nutrition studies and education-----	7,470	3,135	2,085	-1,050
TOTAL, Child Nutrition Programs-----	4,710,978	4,848,529	4,960,027	111,498
AMS Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	0	0	0	0
AMS bonus commodities-----	0	0	0	0
FNS Child nutrition account-----	4,360,860	4,497,629	4,609,127	111,498
B. Special Milk Program:				
1. Cash Payments to States-----	18,295	21,500	19,925	-1,575
C. Supplemental Feeding Programs				
(WIC and CSFP):				
1. Special Supplemental Food Program				
(WIC):				
a. Cash Grants to States -----	1,661,497	1,800,263	1,873,749	73,486
b. Studies and Evaluations-----	2,000	2,100	3,000	900
TOTAL, Special Supplemental Food Program (WIC)-----	1,663,497	1,802,363	1,876,749	74,386
2. Commodity Supplemental Food Program				
(CSFP):				
a. Commodities for supplemental food-----	31,861	39,406	36,848	-2,558
b. Payments to distributing agencies for administration-----	6,225	7,500	7,065	-435
c. Special administrative funds---	3,411	3,094	3,186	92
d. CCC donations-----	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)-----	41,497	50,000	47,099	-2,901
3. Increased services to women, infants and children-----	0	0	0	0
TOTAL, CSFP and WIC services-----	41,497	50,000	47,099	-2,901
TOTAL, Supplemental Feeding Programs (WIC and CSFP)-----	1,704,994	1,852,363	1,923,848	71,485
D. Food Stamp Program:				
1. Benefit costs-----	10,669,306	11,459,451	11,430,251	-29,200
2. State administrative costs-----	994,685	1,030,984	1,073,255	42,271
3. Other program costs-----	129,297	148,445	178,199	29,754
4. Excess state error liabilities-----	0	0	-162,000	-162,000
5. Transfer to Extension Service-----	38,627	39,627	0	-39,627
TOTAL, Food Stamp Program-----	11,831,915	12,678,507	12,519,705	-158,802
E. Nutrition Assistance for Puerto Rico----	852,750	879,250	908,250	29,000

## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

BUDGET AUTHORITY	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
F. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps-----	40,676	40,736	41,641	905
b. Distributing agency administrative costs-----	15,756	15,363	16,213	850
Total, Food Distribution Program on Indian Reservations-----	56,432	56,099	57,854	1,755
2. Nutrition Program for the Elderly:				0
a. Commodities-----	7,800	7,060	7,065	5
b. Cash in lieu of commodities-----	129,357	130,949	134,228	3,279
Total, Nutrition Program for the Elderly-----	137,157	138,009	141,293	3,284
TOTAL, Cash and Commodities for Selected Groups-----	193,589	194,108	199,147	5,039
G. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Food Distr. Program-----	0	0	0	0
(b) Nutrition Program for the Elderly-----	0	0	0	0
(c) Charitable institutions-----	0	0	0	0
(d) Summer camps-----	0	0	0	0
(e) Disaster feeding-----	0	0	0	0
Section 32 bonus				
(a) Food Distr. Program-----	0	0	0	0
(b) Nutrition Program for the Elderly-----	0	0	0	0
(c) Charitable institutions-----	0	0	0	0
(d) Summer camps-----	0	0	0	0
(e) Disaster feeding-----	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities-----	0	0	0	0
2. Grants:				
TEFAP Administrative Expense-----	50,000	50,000	0	-50,000
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets-----	50,000	50,000	0	-50,000
H. Food Program Administration:				
1. Child nutrition-----	27,424	27,757	34,120	6,363
2. Special milk-----	151	154	161	7
3. Special supplemental food-----	6,936	7,021	7,315	294
4. Food stamp-----	48,502	49,094	51,351	2,257
5. Food donations-----	1,781	1,802	1,878	76
TOTAL, Food Program Administration-----	84,794	85,828	94,825	8,997
GRAND TOTAL, Food Assistance-----				
	19,447,315	20,610,085	20,625,727	15,642
Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	0	0	0	0
TEFAP Commodities and Administrative Expense-----	50,000	50,000	0	-50,000
AMS bonus commodities-----	0	0	0	0
FNS-----	19,047,197	20,209,185	20,274,827	65,642

## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

OUTLAYS	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program-----	2,867,675	3,006,528	3,151,414	144,886
b. School breakfast program-----	464,774	455,781	509,592	53,811
c. State administrative expenses---	46,363	51,740	56,392	4,652
d. Summer food service program-----	100,630	159,347	146,205	-13,142
e. Child care food program-----	465,360	566,858	635,893	69,035
TOTAL, Cash payments to States-----	3,944,802	4,240,254	4,499,496	259,242
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities-----	95,977	158,388	173,477	15,089
b. AMS Section 32 commodities-----	350,118	350,900	350,900	0
c. CCC bonus commodities-----				0
d. AMS bonus commodities-----				0
TOTAL, Commodities to States-----	446,095	509,288	524,377	15,089
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)-----	1,114	3,112	2,085	-1,027
b. Nutrition education and training, section 19-----	2,937	2,938	166	-2,772
TOTAL, Nutrition studies and education-----	4,051	6,050	2,251	-3,799
TOTAL, Child Nutrition Programs-----	4,394,948	4,755,592	5,026,124	270,532
AMS Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	0	0	0	0
AMS bonus commodities-----	0	0	0	0
FNS Child nutrition account-----	4,044,830	4,404,692	4,675,224	270,532
B. Special Milk Program:				
1. Cash Payments to States-----	15,446	23,721	22,015	-1,706
C. Supplemental Feeding Programs (WIC and CSFP):				
1. Special Supplemental Food Program (WIC):				
a. Cash Grants to States -----	1,669,270	1,814,128	1,868,547	54,419
b. Studies and Evaluations-----	323	2,100	3,000	900
TOTAL, Special Supplemental Food Program (WIC)-----	1,669,593	1,816,228	1,871,547	55,319
2. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food-----	25,846	34,558	36,780	2,222
b. Payments to distributing agencies for administration-----	3,832	7,181	7,054	-127
c. Special administrative funds---	2,434	3,142	3,023	-119
d. CCC donations-----	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)-----	32,112	44,881	46,857	1,976
3. Increased services to women, infants and children-----	0	0	3,527	3,527
TOTAL, CSFP and WIC services-----	32,112	44,881	50,384	5,503
TOTAL, Supplemental Feeding Programs (WIC and CSFP)-----	1,701,705	1,861,109	1,921,931	60,822
E. Food Stamp Program:				
1. Benefit costs-----	10,403,499	11,344,888	11,430,236	85,348
2. State administrative costs-----	1,061,965	1,020,861	1,067,396	46,535
3. Other program costs-----	90,017	185,200	168,572	-16,628
4. Excess state error liabilities-----	0	0	-162,000	-162,000
5. Transfer to Extension Service-----	0	0	0	0
TOTAL, Food Stamp Program-----	11,555,481	12,550,949	12,504,204	-46,745
F. Nutrition Assistance for Puerto Rico---				
	851,984	875,507	907,496	31,989

## FOOD AND NUTRITION SERVICE

Food Assistance Table  
(Dollars in Thousands)  
Current Law

OUTLAYS	1987 Actual	1988 Estimate	1989 Estimate	Change 1988-1989
-----				
G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps-----	37,466	38,246	41,415	3,169
b. Distributing agency administrative costs-----	12,878	14,873	16,106	1,233
Total, Food Distribution Program on Indian Reservations-----	50,344	53,119	57,521	4,402
2. Nutrition Program for the Elderly:				
a. Commodities-----	6,526	6,880	7,007	127
b. Cash in lieu of commodities-----	131,384	132,988	133,662	674
Total, Nutrition Program for the Elderly-----	137,910	139,868	140,669	801
TOTAL, Cash and Commodities for Selected Groups-----	188,254	192,987	198,190	5,203
-----				
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Food Distr. Program-----	0	0	0	0
(b) Nutrition Program for the Elderly-----	0	0	0	0
(c) Charitable institutions-----	0	0	0	0
(d) Summer camps-----	0	0	0	0
(e) Disaster feeding-----	0	0	0	0
Section 32 bonus				
(a) Food Distr. Program-----	0	0	0	0
(b) Nutrition Program for the Elderly-----	0	0	0	0
(c) Charitable institutions-----	0	0	0	0
(d) Summer camps-----	0	0	0	0
(e) Disaster feeding-----	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities-----	0	0	0	0
2. Grants:				
TEFAP Administrative Expense-----	46,496	49,985	15,800	-34,185
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets-----	46,496	49,985	15,800	-34,185
-----				
I. Food Program Administration:				
1. Child nutrition-----	25,036	29,610	33,858	4,248
2. Special milk-----	139	154	161	7
3. Special supplemental food-----	6,331	7,487	7,265	-222
4. Food stamp-----	44,278	52,352	50,958	-1,394
5. Food donations-----	1,626	1,922	1,863	-59
TOTAL, Food Program Administration-----	77,410	91,525	94,105	2,580
-----				
GRAND TOTAL, Food Assistance-----	18,831,724	20,401,375	20,689,865	288,490
-----				
Section 32 commodities-----	350,118	350,900	350,900	0
CCC bonus commodities-----	0	0	0	0
TEFAP Commodities and Administrative Expense-----	46,496	49,985	15,800	-34,185
AMS bonus commodities-----	0	0	0	0
FNS-----	18,435,110	20,000,490	20,323,165	322,675
-----				





## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Child Nutrition Programs:

For necessary expenses to carry out the National School Lunch Act (42 U.S.C. 1751-1769b, except 1766(i)), and the applicable provisions other than sections 3, 17, 18, and 19 of the Child Nutrition Act of 1966 (42 U.S.C. 1773-1785, and 1,2 [1788-]1789); [~~\$4,497,629,000~~] \$4,609,127,000, to remain available through September 30, [1989] 1990, of which [~~\$679,826,000~~] \$515,855,000 is hereby appropriated and [~~\$3,817,803,000~~] \$4,093,272,000 shall be derived by transfer from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided, That funds appropriated for the purpose of section 7 of the Child Nutrition Act of 1966 shall be allocated among the States but the distribution of such funds to an individual State is contingent upon that State's agreement to participate in studies and surveys of programs authorized under the National School Lunch Act and the Child Nutrition Act of 1966, when such studies and surveys have been directed by the Congress and requested by the Secretary of Agriculture: Provided further, That if the Secretary of Agriculture determines that a State's administration of any program under the National School Lunch Act or the Child Nutrition Act of 1966 (other than section 17), or the regulations issued pursuant to these Acts, is seriously deficient, and the State fails to correct the deficiency within a specified period of time, the Secretary may withhold from the State some or all of the funds allocated to the State under section 7 of the Child Nutrition Act of 1966 and under section 13(k)(1) of the National School Lunch Act; upon a subsequent determination by the Secretary that the programs are operated in an acceptable manner some or all of the funds withheld may be allocated: Provided further, That only final reimbursement claims for service of meals, supplements, and milk submitted to State agencies by eligible schools, summer camps, institutions, and service institutions within sixty days following the month for which the reimbursement is claimed shall be eligible for reimbursement from funds appropriated under this Act. States may receive program funds appropriated under this Act for meals, supplements, and milk served during any month only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary.

The first change deletes authority related to the Nutrition Education and Training Program.

The second change deletes matter applicable to 1988 and makes the 1989 appropriation available until September 30, 1990.

CHILD NUTRITION PROGRAMS

Appropriations Act, 1988 .....	\$4,497,629,000
Budget Estimate, 1989 .....	4,609,127,000
Increase in Appropriation .....	<u>+111,498,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
School lunch program .....	\$3,068,186,000	-\$4,323,000	\$3,063,863,000
School breakfast program .....	479,819,000	+34,679,000	514,498,000
State administrative expenses .....	54,289,000	+4,122,000	58,411,000
Summer food service program .....	137,649,000	+10,175,000	147,824,000
Child care food program .....	599,837,000	+46,095,000	645,932,000
Commodity procurement .....	154,714,000	+21,800,000	176,514,000
Nutrition studies and surveys .....	2,085,000	--	2,085,000
Nutrition education and training .....	1,050,000 a/	-1,050,000	--
Total Appropriation .....	<u>4,497,629,000</u>	<u>+111,498,000</u>	<u>4,609,127,000</u>

a/ Subsequent to the preparation of the Budget for Fiscal Year 1989, \$5 million was made available in Fiscal Year 1988 for nutrition education and training.

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches .....	\$291,036,963	\$297,000,000	-\$112,000	\$296,888,000
(2) Lower income lunches .....	270,549,889	279,205,000	+4,202,000	283,407,000
(3) Low income lunches .....	2,451,218,148	2,491,981,000	-8,413,000	2,483,568,000
Total, School lunch...	<u>3,012,805,000</u>	<u>3,068,186,000</u>	<u>-4,323,000(1)</u>	<u>3,063,863,000</u>
(b) School breakfast program:				
(1) Upper income breakfasts .....	9,797,859	9,846,000	+753,000	10,599,000
(2) Lower income breakfasts .....	15,903,770	15,371,000	+1,968,000	17,339,000
(3) Low income breakfasts .....	447,624,871	454,602,000	+31,958,000	486,560,000
Total, School breakfast .....	<u>473,326,500</u>	<u>479,819,000</u>	<u>+34,679,000(2)</u>	<u>514,498,000</u>

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
(c) State administrative expenses .....	51,217,000	54,289,000	+4,122,000(3)	58,411,000
(d) Summer food service program .....	128,290,000	137,649,000	+10,175,000(4)	147,824,000
(e) Child care food program:				
(1) Meal Service:				
(a) Upper income meals .....	194,413,789	215,159,300	+21,893,800	237,053,100
(b) Lower income meals .....	23,517,774	25,013,000	+1,723,600	26,736,600
(c) Low income meals .....	335,490,326	357,838,700	+24,303,600	382,142,300
Subtotal .....	553,421,889	598,011,000	+47,921,000	645,932,000
(2) Audit expenses ...	7,034,611	1,826,000	-1,826,000	--
Total, Child care food program.....	560,456,500	599,837,000	+46,095,000(5)	645,932,000
2. Commodity procurement:				
(a) Commodities .....	97,464,201	117,987,300	+21,635,300	139,622,600
(b) Cash in lieu of commodities .....	29,830,799	36,726,700	+164,700	36,891,400
Total, Commodity procurement .....	127,295,000	154,714,000	+21,800,000(6)	176,514,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys .....	2,470,000	2,085,000	--	2,085,000
(b) Nutrition education and training .....	5,000,000	1,050,000	-1,050,000(7)	--
Total, Appropriation .....	4,360,860,000	4,497,629,000	+111,498,000	4,609,127,000

a/ Subsequent to the preparation of the Budget for Fiscal Year 1989, \$5 million was made available in Fiscal Year 1988 for the Nutrition Education and Training Program.

PROJECT STATEMENT  
(On basis of available funds)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches .....	\$289,881,015	\$289,342,000	+\$19,034,000	\$308,376,000
(2) Lower income lunches .....	269,475,313	272,005,000	+22,369,000	294,374,000
(3) Low income lunches .....	2,441,482,340	2,427,720,000	+151,949,000	2,579,669,000
Total, School lunch a/ .....	3,000,838,668	2,989,067,000	+193,352,000(1)	3,182,419,000
(b) School breakfast program:				
(1) Upper income breakfasts .....	9,693,223	10,007,000	+592,000	10,599,000
(2) Lower income breakfasts .....	15,733,928	15,905,000	+1,434,000	17,339,000
(3) Low income breakfasts .....	442,844,501	457,536,000	+29,024,000	486,560,000
Total, School breakfast .....	468,271,652	483,448,000	+31,050,000(2)	514,498,000

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
(c) State administrative expenses .....	49,799,947	54,289,000	+4,122,000 (3)	58,411,000
(d) Summer food service program .....b/	127,973,576	137,577,000	+10,247,000 (4)	147,824,000
(e) Child care food program:				
(1) Meal service:				
(a) Upper income meals .....	191,199,878	209,240,000	+27,813,100	237,053,100
(b) Lower income meals .....	23,128,995	24,229,000	+2,507,600	26,736,600
(c) Low income meals .....	329,944,237	347,091,000	+35,051,221	382,142,221
Subtotal .....	544,273,110	580,560,000	+65,371,921	645,931,921
(2) Audit expenses ...	7,034,611	1,826,000	-1,826,000	--
Total, Child care food program .....	551,307,721	582,386,000	+63,545,921 (5)	645,931,921
2. Commodity procurement:				
(a) Commodities .....	97,507,970	124,415,600	+15,207,000	139,622,600
(b) Cash in lieu of commodities .....	29,787,030	32,873,400	+4,018,000	36,891,400
Total, Commodity procurement .....	127,295,000	157,289,000	+19,225,000 (6)	176,514,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys .....	2,468,022	2,085,000	--	2,085,000
(b) Nutrition education and training .....	4,990,355	1,050,000 <sup>c/</sup>	-1,050,000 (7)	--
Total, Obligations .....	4,332,944,941	4,407,191,000	+320,491,921	4,727,682,921
Unobligated balances:				
Available, start of year .....	-8,389,590	-28,117,921	-90,438,000	-118,555,921
Available, end of year .....	28,117,921	118,555,921	-118,555,921	--
Lapsing .....	8,186,728	--	--	--
Total, Appropriation .....	4,360,860,000	4,497,629,000	+111,498,000	4,609,127,000

a/ Fiscal Year 1987 includes obligations for meals served from September 1986 through September 1987.

b/ Includes 14 staff-years in Fiscal Year 1987 and 20 staff-years in Fiscal Years 1988 and 1989 for Summer Food Service Program monitors.

c/ Subsequent to the preparation of the Budget for Fiscal Year 1989, \$5 million was made available in Fiscal Year 1988 for nutrition education and training.

#### EXPLANATION OF PROGRAM

The Child Nutrition Programs, authorized by the National School Lunch Act and the Child Nutrition Act of 1966, subsidize meals served to children. The programs subsidize meals served to children not only in schools but also in a variety of other institutions. A general description of the programs follows.

1. **Cash Payments to States.** The programs are operated under an agreement entered into by the State agencies and the Department. Funds are made available by letters of credit to State agencies for use in reimbursing participating schools and other institutions. Sponsors make application to the State agencies, and if approved, are reimbursed on a per-meal basis in accordance with the terms of their agreements and the rates prescribed by law. The reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index for Food Away From Home as provided for in Section 11 of the National School Lunch Act.



- (a) National School Lunch Program. Assistance is provided to the States for the service of lunches to children in participating schools and institutions, regardless of household income. Additional assistance is provided to the States for serving lunches free or at a reduced price to needy children. States must match a portion of the Federal cash grant. In Fiscal Year 1988, the School Lunch Program will provide assistance for serving an estimated 4,043 million lunches, including 2,075 million for children from upper income families, 266 million for children from lower income families and 1,702 million for children from low income families. Schools which, in the second previous fiscal year, served at least 60 percent of their lunches at free or reduced prices receive an additional two cents per meal assistance. An estimated 24.5 million children are expected to participate in the School Lunch Program daily during the school year. Approximately 12 million needy children will participate on an average school day during the year.
  - (b) School Breakfast Program. Federal reimbursement is based on the number of breakfasts served to children from low, lower or upper income families. Schools that served at least 40 percent of their lunches at free or reduced prices in the second preceding year, receive higher subsidies in both the free and reduced price categories. In Fiscal Year 1988, the program will serve an estimated 637 million breakfasts to a daily average of 3.9 million children.
  - (c) State Administrative Expenses. These funds may be used for State employee salaries, benefits, support services and office equipment. Public Law 95-627 made the State Administrative Expenses grant equal to 1.5 percent of Federal payments in the second previous year. In Fiscal Year 1988, \$54,289,000 will be allocated among the States to fund on-going State administrative expenses and to improve the management of the various nutrition programs.
  - (d) Summer Food Service Program. Meals served free to children in low-income neighborhoods during the summer months are supported on a per-meal basis by Federal cash subsidies to State agencies. Funds are also provided for related State and local administrative expenses. During the summer of 1988, approximately 83 million meals will be served to about 1.6 million children in the peak month.
  - (e) Child Care Food Program. Nonprofit child care centers and family and group day care homes receive subsidies for meals served to preschool and other children. P.L. 97-35 permits profit-making child care centers receiving compensation under Title XX of the Social Security Act to participate in the program if 25 percent of the children served are Title XX participants. The Child Care Food Program reimburses State agencies at varying rates for breakfasts, lunches, suppers and meal supplements. In Fiscal Year 1988, approximately 771 million meals will be served to a daily average of 1.2 million children. Adult day care centers are also eligible for participation in this program beginning in Fiscal Year 1988.
2. Commodity Procurement. Commodities are purchased for distribution to the School Lunch, Child Care Food and Summer Food Service Programs. The minimum commodity support rate for all school lunch and child care center lunches and suppers served is mandated by section 6e of the National School Lunch Act and is adjusted annually on July 1 to reflect changes in the Producer Price Index for Food Used in Schools and Institutions. The commodities purchased with these funds are supplemented by commodities purchased with Section 32 funds.
3. Nutrition Studies and Education
- (a) Nutrition Studies and Surveys. In Fiscal Year 1988, the funds appropriated for this purpose will be used for several studies. Included among these are a survey to collect accurate and timely data on how Child Nutrition Programs operate at State and local levels; a study of income verification procedures in the School Lunch Program; the Child Nutrition Analysis and Modeling Study; and the study on ways to better target the Child Care Food Program.
  - (b) Nutrition Education and Training. Public Law 95-166 instituted a program of grants to the States for nutrition education in schools. In Fiscal Year 1988, \$1.1 million will be made available to the States for nutrition education and training.

The following audit reports were received in Fiscal Year 1987:

<u>OIG Reports</u>	<u>Date</u>	<u>Title</u>
27099-45-AT	5-22-87	Summary Audit of School Food Service Programs
27025-29-PE	10-2-86	Survey of Child Care Food Program, Family Day Care Home Operations

  

<u>GAO Reports</u>	<u>Date</u>	<u>Title</u>
RCED-87-113	6-11-87	Commodity Use In the School Lunch Program

#### JUSTIFICATION OF INCREASES AND DECREASES

The Fiscal Year 1988 request for the Child Nutrition Programs reflects an increase of \$111,498,000.

- (1) A decrease of \$4,323,000 in the appropriation for the School Lunch Program.  
On the basis of available funds, there is an increase of \$193,352,000.

Need for Change. The total number of school lunches is expected to increase by 56 million in Fiscal Year 1989 due to increased school enrollment. The projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. A funding level of \$3,182,419,000 will be needed in Fiscal Year 1989 for the School Lunch Program to provide full reimbursement for meals served. The following table compares meals served and rates:

<u>Lunches Served in Millions</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>	<u>Change</u>
Upper income .....	2,075	2,104	+29
Lower income .....	266	270	+4
Low income .....	1,702	1,725	+23
Total .....	4,043	4,099	+56
 Average participation (millions) .....	 24.5	 24.8	 +.3
 Average rates (cents)			
Upper income .....	13.62	14.34	+ .72
Lower income .....	87.80	93.90	+6.10
Low income .....	127.97	134.08	+6.11
 Program Cost (\$ mil) .....	 \$2,989.1 a/	 \$3,182.4 a/	 +\$193.3

a/ Includes funds for schools which receive additional two cents reimbursement.

- (2) An increase of \$34,679,000 in the appropriation for the School Breakfast Program.  
On the basis of available funds, there is an increase of \$31,050,000.

Need for Change. An increase of 12 million breakfasts is projected for Fiscal Year 1989. In addition, all rates are expected to rise on July 1 based on the CPI for Food Away from Home which will require increased funding for school breakfasts.

Nature of Change. An appropriation of \$514,498,000 will be needed in Fiscal Year 1989 for the School Breakfast Program.



The table which follows compares meals and rates in the School Breakfast Program by category.

<u>Breakfasts Served in Millions</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>	<u>Change</u>
Upper income .....	74	75	+1
Lower income .....	29	30	+1
Low income .....	<u>534</u>	<u>544</u>	<u>+10</u>
Total .....	637	649	+12
Average participation (mil)	3.863	3.930	+0.067
Average rates (cents)			
Upper income .....	13.59	14.13	+.54
Lower income .....	54.34	58.18	+3.84
Low income .....	84.38	88.22	+3.84
Program Cost (\$ mil) .....	\$483.4	\$514.4	+\$31.0

- (3) An increase of \$4,122,000 in the appropriation for State Administrative Expenses. On the basis of available funds, there is also an increase of \$4,122,000.

Need for Change. The funding level for State Administrative Expenses (SAE) is based upon 1.5 percent of funds expended in the second previous fiscal year for the School Lunch, School Breakfast, Child Care Food and Special Milk Programs.

The increase in Fiscal Year 1989 is attributable to the rise in funding of the second preceding year (Fiscal Year 1987).

Nature of Change. An appropriation of \$58,411,000 will be needed in Fiscal Year 1989 for State Administrative Expenses. Each State will receive a grant of at least one percent of the funds expended by the State during Fiscal Year 1987 with a minimum grant of \$100,000. The funds available above the basic grant will be allocated to the States to improve program administration.

- (4) An increase of \$10,175,000 in the appropriation for the Summer Food Service Program. On the basis of available funds, there is an increase of \$10,247,000.

Need for Change. The number of meals served in the Summer Food Service Program is expected to increase by 1.9 million in Fiscal Year 1989 over Fiscal Year 1988, for a projected total of 84.5 million meals. Per meal reimbursement rates which are adjusted each January 1 will escalate in accordance with changes in the CPI for Food Away from Home.

Nature of Change. An appropriation of \$147,824,000 will be needed in the Summer Food Service Program in Fiscal Year 1989 to provide full reimbursement for meals served.

- (5) An increase of \$46,095,000 in the appropriation for the Child Care Food Program. On the basis of available funds, there is an increase of \$63,545,921.

Need for Change. An increase in Child Care Food Program participation and the corresponding number of meals served is anticipated in Fiscal Year 1989 in child care centers, family day care homes, and adult day care centers. Reimbursement rates are expected to increase based upon changes in the CPI for Food Away from Home.

In Fiscal Year 1989, no funding for audit expenses is requested.

Nature of Change. A funding level of \$645,931,921 will be needed in Fiscal Year 1989 in the Child Care Food Program to provide full reimbursement for meals served.

The following table compares the Fiscal Year 1988 meals and rates with the projected Fiscal Year 1989 Program.

<u>Meals Served in Millions</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>	<u>Change</u>
Child care centers:			
Upper income .....	127	131	+4
Lower income .....	43	44	+1
Low income .....	<u>264</u>	<u>273</u>	<u>+9</u>
Total child care centers.....	434	448	+14
Family day care homes.....	<u>337</u>	<u>366</u>	<u>+29</u>
Total.....	<u>771</u>	<u>814</u>	<u>+43</u>
Average subsidy per meal (cents):			
Child care centers:			
Upper income .....	12.5	13.1	+.6
Lower income .....	66.5	72.0	+5.5
Low income .....	98.1	102.8	+10.2
Family day care homes.....	91.7	96.0	+4.3

- (6) An increase of \$21,800,000 in the appropriation for Commodity Procurement. On basis of available funds, there is an increase of \$19,225,000.

Need for Change. An increase of 56 million school lunches and 14 million meals served in child care centers is projected for Fiscal Year 1989. The rate of commodity support per meal will also increase from 12.03 cents in Fiscal Year 1988 to 12.28 cents in Fiscal Year 1989.

Nature of Change. In addition to the direct appropriation for commodity procurement for the Child Nutrition Programs, the Agricultural Marketing Service provides the Child Nutrition Programs with commodities purchased with funds from Funds for Strengthening Markets, Income, and Supply (Section 32). The total projected usage of the funds from the two accounts in Fiscal Years 1988 and 1989 is as follows:

<u>Account</u>	<u>(Dollars in Millions)</u>		
	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>	<u>Change</u>
Child Nutrition Programs ..	\$157.3	\$176.5	+\$19.2
Funds for Strengthening Markets, Income and Supply (Section 32) .....	<u>350.9</u>	<u>350.9</u>	<u>--</u>
Total .....	<u>\$508.2</u>	<u>\$527.4</u>	<u>+\$19.2</u>

- (7) A decrease of \$1,050,000 in the appropriation for the Nutrition Education and Training Program. On basis of available funds, there is also a decrease of \$1,050,000.

Need for Change. A decrease of \$1,050,000 from the partial year funding provided in Fiscal Year 1988. On an annualized basis this is a decrease of \$5,000,000. program.

Nature of Change. In Fiscal Year 1989, no funding will be requested for this program.

## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Milk Program:

For necessary expenses[, ] to carry out the special milk program, as authorized by section 3 of the Child Nutrition Act of 1966 (42 U.S.C. 1772), [~~\$21,500,000~~] \$19,925,000, to remain available through September 30, [1989] 1990. Only final reimbursement claims for milk submitted to State agencies within sixty days following the month for which the reimbursement is claimed shall be eligible for reimbursement from funds appropriated under this Act. States may receive program funds appropriated under this Act only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary.

The change deletes matters applicable to 1988 and makes the 1989 appropriation available until September 30, 1990.

SPECIAL MILK PROGRAM

Appropriations Act, 1988 .....	\$21,500,000
Budget Estimate, 1989 .....	19,925,000
Decrease in Appropriation .....	<u>-1,575,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Cash payments to States .....	<u>\$21,500,000</u>	<u>-\$1,575,000</u>	<u>\$19,925,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Decrease</u>	<u>1989 Estimated</u>
1. Cash payments to States:				
(a) Paid milk .....	\$17,140,585	\$20,147,300	-\$1,444,975	\$18,702,325
(b) Free milk .....	1,154,415	1,352,700	-130,025	1,222,675
Total, Appropriation .....	<u>18,295,000</u>	<u>21,500,000</u>	<u>-1,575,000</u>	<u>19,925,000</u>

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
1. Cash payments to States:				
(a) Paid milk .....	\$16,352,695	\$20,350,000	+\$407,000	\$20,757,000
(b) Free milk .....	1,097,928	1,319,000	+38,000	1,357,000
Total, obligations .....	<u>17,450,623</u>	<u>21,669,000</u>	<u>+445,000</u>	<u>22,114,000</u>
Unobligated balances:				
Available, start of year .....	-1,513,623	-2,358,000	+169,000	-2,189,000
Available, end of year .....	<u>2,358,000</u>	<u>+2,189,000</u>	<u>-2,189,000</u>	<u>0</u>
Total, Appropriation .....	<u>18,295,000</u>	<u>21,500,000</u>	<u>-1,575,000</u>	<u>19,925,000</u>

EXPLANATION OF PROGRAM

The Special Milk Program is authorized by Section 3 of the Child Nutrition Act of 1966, as amended. It provides institutions subsidies for half-pints of milk served to children. Eligible institutions include nonprofit schools of high school grade or under, summer camps, and similar institutions that do not participate in another meal service program authorized by the Child Nutrition Act or the National School Lunch Act. In addition, children in split session kindergarten programs in non-profit schools who do not have access to the meal service programs operating in those schools may participate in the Special Milk Program.

In Fiscal Year 1988, approximately 223.5 million half-pints of milk will be served in the Special Milk Program. These include about 214.2 million half-pints served to children whose family income is above 130 percent of poverty and about 9.3 million halfpints served free to children whose family income is at or below 130 percent of poverty. During Fiscal Year 1988, the average full cost reimbursement for milk served to needy children is expected to be 14.23 cents for each half-pint. Milk served to non-needy children is expected to be reimbursed at 9.5 cents for each half-pint.

JUSTIFICATION OF INCREASES

A decrease of \$1,575,000 is requested in the appropriation for the Special Milk Program. On the basis of available funds, there is an increase of \$445,000.

Need for change. The decrease in funds is appropriate in view of the level of funds available at the start of Fiscal Year 1989. Available funds are sufficient to maintain program operations.

	<u>1987</u> <u>Actual</u>	<u>1988</u> <u>Estimate</u>	<u>1989</u> <u>Estimate</u>
Half-pints served (millions)			
Paid	155.556	214.210	218.494
Free	6.729	9.266	9.452
Total	<u>162.285</u>	<u>223.476</u>	<u>227.946</u>





## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Special Supplemental Food Program for Women, Infants, and Children (WIC)]

[For necessary expenses to carry out the special supplemental food program as authorized by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786), \$1,802,363,000, to remain available through September 30, 1989.]

[Study of Medicaid Savings for Newborns From WIC Program]

[(a) Study. - The Secretary of Agriculture shall conduct a national study of savings in the amount of assistance provided to families with newborns under State plans for medical assistance approved under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) and State indigent health care programs, during the first 60-day period after birth, as the result of the prenatal participation of mothers in the special supplemental food program authorized under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786).

(b) Report. - Not later than February 1, 1990, the Secretary shall submit to Congress a report that describes the results of the study conducted under subsection (a).

(c) Funding. - This section shall be carried out using funds made available under section 17(g)(3) of the Child Nutrition Act of 1966.]

[Commodity Supplemental Food Program]

[For necessary expenses to carry out the commodity supplemental food program as authorized by section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), including not less than \$8,000,000 for the projects in Detroit, New Orleans, and Des Moines, \$50,000,000: Provided, That funds available above those needed to serve 145,000 women, infants, and children and 80,000 elderly persons in States operating projects in 1987 shall be used to fund additional women, infants, and children in projects in States without projects in 1987: Provided further, That funds provided herein shall remain available through September 30, 1989: Provided further, That none of these funds shall be available to reimburse the Commodity Credit Corporation for commodities donated to the program.]

Supplemental Feeding Programs

For necessary expenses to carry out the Special Supplemental Food Program (section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786)) and Commodity Supplemental Food Program (CSFP) (section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note))), \$1,923,848,000, to remain available through September 30, 1990: Provided, That notwithstanding any other provision of law, amounts in excess of those necessary to fund fiscal year 1988 participation levels of women, infants, and children in the CSFP, and amounts in excess of those necessary to fund fiscal year 1988 participation levels of elderly in the CSFP shall be used to provide service to women, infants, and children in either program: Provided further, That, the funds provided in this Act which are allocated to each program shall be the amount appropriated for purposes of determining State administrative grants pursuant to section 17(h) of the Child Nutrition Act and section 5(a) of the Agriculture and Consumer Protection Act: Provided further, That the funds provided in this Act which are allocated to section 17 of the Child Nutrition Act shall be the amount appropriated for purposes of determining migrant grants pursuant to section 17(g).

This change combines the appropriations for the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP) into one account. Pursuant to this proposal, the Secretary will issue regulations establishing the method for allocation of funds between the two programs. Funds not needed to serve the Fiscal Year 1988 peak participation levels of women, infants, and children and elderly in CSFP would be made available to provide services to highest priority participants (i.e., women, infants, and children) in either program. Because current law regarding funding levels for program administration and other activities in WIC and CSFP refers in some provisions to "sums appropriated," the amounts allocated to each program will be considered the "appropriated" amount for purposes of compliance with authorizing legislation.

SUPPLEMENTAL FEEDING PROGRAMS

Appropriations Act, 1988 .....	\$1,852,363,000
Budget Estimate, 1989 .....	<u>1,923,848,000</u>
Increase in Appropriation .....	<u>+71,485,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Supplemental Feeding Programs (WIC and CSFP).....	<u>\$1,852,363,000</u>	<u>+\$71,485,000</u>	<u>\$1,923,848,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food .....	\$1,329,197,600	\$1,440,210,400	+\$58,788,800	\$1,498,999,200
(b) Costs for nutrition services and administration .....	332,299,400	360,052,600	+14,697,200	374,749,800
(c) Program evaluation projects .....	2,000,000	2,100,000	+900,000	3,000,000
Subtotal, (WIC) .....	<u>1,663,497,000</u>	<u>1,802,363,000</u>	<u>+74,386,000</u>	<u>1,876,749,000</u>
2. Commodity Supplemental Food Program (CSFP):				
(a) Commodities.....	31,861,264	39,406,000	-2,558,235	36,847,765
(b) Administrative costs..	6,224,550	7,500,000	-435,150	7,064,850
(c) Special admin. funds..	3,411,186	3,094,000	+92,385	3,186,385
Subtotal, CSFP .....	<u>41,497,000</u>	<u>50,000,000</u>	<u>-2,901,000</u>	<u>47,099,000</u>
3. Increased service to women, infants and children.....	--	--	[see below]	--
Total, Appropriation.....	<u>1,704,994,000</u>	<u>1,852,363,000</u>	<u>+71,485,000(1)</u>	<u>1,923,848,000</u>

PROJECT STATEMENT  
(On basis of available funds)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase or Decrease</u>	<u>1989 Estimated</u>
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food ...	\$1,329,240,597	\$1,440,264,154	+\$58,735,046	\$1,498,999,200
(b) Costs for nutrition services and administration .....	332,310,149	360,066,039	+14,683,761	374,749,800
(c) Program evaluation projects .....	1,992,557	2,100,000	+900,000	3,000,000
Subtotal, WIC.....	<u>1,663,543,303</u>	<u>1,802,430,193</u>	<u>+74,318,807</u>	<u>1,876,749,000</u>

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
2. Commodity Supplemental Food Program (CSFP):				
(a) Commodities.....	32,115,419	35,293,000	+2,675,468	37,968,468
(b) Administrative costs..	6,224,550	7,500,000	-435,150	7,064,850
(c) Special admin. funds..	2,732,388	3,094,000	+92,385	3,186,385
Subtotal, CSFP .....	41,072,357	45,887,000	+2,332,703	48,219,703
3. Increased service to women, infants and children .....	--	--	+3,671,095	3,671,095
Total, Obligations .....	1,704,615,660	1,848,317,193	+80,322,605	1,928,639,798
Recovery of prior year obligations.....	-368,959	--	--	--
Unobligated balances:				
Available, start of year..	-62,832	-745,991	-4,045,807	-4,791,798
Available, end of year...	745,991	4,791,798	-4,791,798	--
Lapsing.....	64,140			
Total, Appropriation.....	1,704,994,000	1,852,363,000	+71,485,000(1)	1,923,848,000

#### EXPLANATION OF PROGRAM

The Supplemental Feeding Programs (WIC and CSFP) have similar objectives. Both are designed to provide supplemental nutritious food to pregnant, postpartum and breastfeeding women, infants and young children from low-income families during critical times of growth and development to prevent health problems and improve the status of their health.

The Special Supplemental Food Program (WIC) is authorized by section 17 of the Child Nutrition Act of 1966, as amended. Public Law 96-499, enacted on December 5, 1980, extended the program authorization through September 30, 1984. The authorization was extended through 1989 by Public Laws 99-500 and 99-591 the School Lunch and Child Nutrition Amendments of 1986. Funds are made available to local health clinics through State departments of health and to Indian groups to provide supplemental foods to low-income pregnant, postpartum and breastfeeding women, infants and young children up to five years of age who are determined by competent professionals (physicians, nutritionists, nurses and other health officials) to be at nutritional risk. In Fiscal Year 1988, the program funds are expected to support an average monthly participation of 3.6 million participants at an average cost of \$41.98 per person per month.

The WIC Program food packages are designed to provide foods which studies have demonstrated are lacking in the diets of the WIC Program target population. The authorized supplemental foods are iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice which contains vitamin C, dry beans and peas, and peanut butter.

There are three general types of delivery systems for WIC foods: (1) retail purchase in which participants obtain supplemental foods through retail stores; (2) home delivery systems in which food is delivered to the participant's home; and (3) direct distribution systems in which participants pick up food from a distribution outlet. The food is free of charge to all participants.

The WIC Amendments of 1987 (P.L. 100-237) made some changes that will affect WIC program operations. One of the changes relates to the efforts of some States to reduce food package costs and expand participation by adopting measures such as competitive bidding, rebate, direct distribution or home delivery. The new law permits States to use part of the funds originally provided for food to finance the increased costs of nutrition services and administration only to the extent that participation is increased. Public Laws 99-500, 99-591 and 100-237 permit States to use up to one percent of their current year's funds to cover expenses from the prior year and/or the succeeding year.

Twenty percent of the total available funds (except for funds appropriated for program evaluation) are allocated among the States for costs for nutrition services and administration associated with the WIC Program. These costs include certifying participant eligibility, food delivery and warehousing, monitoring, nutrition education, financial management, clinic operations and administration by State agencies. Not less than one-sixth of these administrative funds must be used for nutrition education activities.



Public Law 95-627 states that up to one-half of one percent of sums appropriated, not to exceed \$3 million, may be made available for evaluation of program performance.

The Commodity Supplemental Food Program (CSFP) is authorized by section 4(a) of the Agricultural and Consumer Protection Act of 1973, as amended. This program provides supplemental foods to infants and children up to age six and to pregnant, postpartum and breastfeeding women and senior citizens who have low incomes and are residing in approved project areas.

In Fiscal Year 1988, authorized caseload levels of 165,795 women, infants and young children and 80,000 elderly have been allocated to receive food packages each month. Under these allocations, the Department expects peak participation levels of 159,979 women, infants, and children, and 79,222 elderly in Fiscal Year 1988. The foods are provided by the Department of Agriculture for distribution through State agencies. The authorized commodities are iron-fortified infant formula, rice cereal, canned juice, evaporated milk and/or nonfat dry milk, canned vegetables or fruits, canned meat or poultry, egg mix, dehydrated potatoes, farina, and peanut butter or dry beans. Elderly participants receive all commodities except iron-fortified infant formula and rice cereal.

States are given 15 percent of the Federal funds appropriated to cover administrative costs. In addition, the Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, authorized additional administrative funds by extending the formula to include 15 percent of the value of commodities provided to CSFP from CCC inventories without charge to the CSFP appropriation. This legislation also provides that unused caseload slots for women, infants and children may be converted to serve elderly persons. Costs allowable for payment with Federal funds include nutrition education, warehousing, food delivery, participant certification, and other costs associated with State and local administration of the program.

#### JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$71,485,000 in the appropriation for the Supplemental Feeding Programs. On the basis of available funds, there is an increase of \$71,485,000

Need for Change. The increase in funds is needed to maintain the program in Fiscal Year 1989 with an adjustment for inflation from the Fiscal Year 1988 base.

Nature of Change. For Fiscal Year 1989, the Administration is proposing a joint appropriation for WIC and CSFP. The appropriation would allow funds to be allocated between the programs to maximize participation of women, infants and children.

For WIC, the average food cost per person will rise from \$41.98 in Fiscal Year 1988 to \$43.71 in Fiscal Year 1989. Program research has been increased to \$3 million, the maximum authorized level, to better meet the needs established by Congressional directives.

For CSFP, available funds will support Fiscal Year 1988 peak participation levels of 159,979 women, infants and children, as well as 79,222 elderly, at a cost of \$48,219,703 in Fiscal Year 1989.

The balance of available funds, \$3,671,095, will support increased services to women, infants and children in either WIC or CSFP.

	1988 Estimate	1989 Estimate	Change
<u>Special Supplemental Food Program</u>			
Average Participation per month (in millions).....	3.6	3.6	0
Program Level (\$ in millions):			
Food costs .....	\$1,440.2	\$1,499.0	+\$58.8
State and local administrative costs .....	360.1	374.7	+14.6
Program evaluation projects .....	2.1	3.0	+.9
Total.....	1,802.4	1,876.7	+74.3
<u>Commodity Supplemental Food Program</u>			
Peak Participation (in thousands):			
CSFP/WIC.....	160	160	0
CSFP/Elderly.....	79	79	0
Program Level (\$ in millions):			
Food costs .....	\$35.3	\$38.0	+\$2.7
State and local administrative costs .....	7.5	7.0	-\$ .5
Special administrative costs.....	3.1	3.2 a/	+.1
Total .....	\$45.9	\$48.2	\$2.3
Average food cost per person per month:			
Women, Infants and Children:			
Entitlement .....	\$14.66	\$14.91	+\$ .25
Donated .....	6.35	6.45	+.10
	\$21.01	\$21.36	+.35
Elderly:			
Entitlement .....	\$9.66	\$9.83	+\$ .17
Donated .....	9.16	9.32	+.16
	\$18.82	\$19.15	+.33

a/ This data excludes \$3,671,095 for increased service to women, infants and children in either WIC or CSFP.



## SUPPLEMENTAL FEEDING PROGRAMS

## SUMMARY OF PROPOSED LEGISLATION

## SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1989		
	Current Law	Program Changes	President's Request
2. Commodity Supplemental Food Program (CSFP):			
(a) Commodities .....	\$37,968,468	--	37,968,468
(b) Administrative Costs .....	7,064,850	--	7,064,850
(c) Special Administrative Costs ...	3,186,385	-1,453,000 a/	1,733,385
Subtotal, CSFP	48,219,703	-1,453,000	46,766,703
3. Increased Services to women, infants and children	3,671,095	+1,453,000	5,124,095

Explanation of Proposed Legislation

Legislation will be proposed to reduce the administrative funding rate from fifteen to five percent of the value of commodities, which are not a part of the CSFP food package, but which are provided by CCC for distribution through CSFP outlets. The administrative funding rate will be retained at 15 percent of the value of commodities which are a part of the CSFP food package, but which are provided by CCC without charge to the CSFP appropriation. Savings in State administrative costs will be used to increase services to women, infants and children.

a/ Program changes may vary slightly from the Budget due to the use of more current estimates of participation.



## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Stamp Program:

- 1 For necessary expenses to carry out the Food Stamp Act (7 U.S.C. 2011-2027 [,  
2 2028,] and 2029), [~~\$13,557,757,000~~] \$12,519,705,000: Provided, That funds  
provided herein shall remain available through September 30, [1988] 1989, in  
accordance with section 18(a) of the Food Stamp Act: Provided further, That up  
to 5 per centum of the foregoing amount may be placed in reserve to be  
apportioned pursuant to section 3679 of the Revised Statutes, as amended, for  
use only in such amounts and at such times as may become necessary to carry out  
program operations: Provided further, That funds provided herein shall be  
expended in accordance with section 16 of the Food Stamp Act: Provided further,  
That this appropriation shall be subject to any work registration or workfare  
requirements as may be required by law: Provided further, That \$345,000,000 of  
the funds provided herein shall be available only to the extent necessary after  
the Secretary has employed the regulatory and administrative methods available  
to him under the law to curtail fraud, waste, and abuse in the program [:  
3 Provided further, That \$879,250,000 of the foregoing amount shall be available  
for Nutrition Assistance for Puerto Rico as authorized by 7 U.S.C. 2028].

The first change deletes the language pertaining to the legal citation for Nutrition Assistance for Puerto Rico. Reestablishing a separate account for Puerto Rico makes this language unnecessary.

The second change deletes language applicable to Fiscal Year 1988 and inserts Fiscal Year 1989.

The third change deletes language pertaining to the amount appropriated for Nutrition Assistance for Puerto Rico. Reestablishing a separate account for Puerto Rico makes this language unnecessary.

## FOOD STAMP PROGRAM

Appropriations Act, 1988 .....	\$12,678,507,000
Budget Estimate, 1989 .....	<u>12,519,705,000</u>
Decrease in Appropriation .....	<u>-158,802,000</u>

Adjustments in 1988	
Appropriations Act, 1988 .....	\$12,678,507,000
Transferred to Extension Service .....	<u>-39,627,000</u>
Adjusted base for 1988 .....	\$12,638,880,000
Budget Estimate, 1989 .....	<u>12,519,705,000</u>
Decrease over adjusted 1988 .....	<u>-119,175,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
<u>Benefits:</u>			
Correct benefits .....	\$10,577,073,000	-\$4,091,000	\$10,572,982,000
Erroneous benefits .....	<u>882,378,000</u>	<u>-25,109,000</u>	<u>857,269,000</u>
Total, Benefits Costs .....	11,459,451,000	-29,200,000	11,430,251,000
<u>Administrative costs:</u>			
<u>Payments to States</u>			
State administration .....	1,030,984,000	+42,271,000	1,073,255,000
Employment and training ..	<u>98,200,000</u>	<u>+17,828,000</u>	<u>116,028,000</u>
Subtotal, Payments to States .....	1,129,184,000	+60,099,000	1,189,283,000
<u>Other program costs:</u>			
Printing of stamps .....	20,000,000	+780,000	20,780,000
Shipment of stamps .....	2,726,000	+106,000	2,832,000
Processing redeemed stamps .....	13,661,000	+10,533,000	24,194,000
Computer support systems .....	2,966,000	+373,000	3,339,000
Certification of SSI recipients for food stamps .....	2,273,000	+88,000	2,361,000
Printing redemption certificates .....	112,000	+4,000	116,000
Bank monitoring system ..	226,000	+9,000	235,000
Printing other than stamps .....	672,000	+27,000	699,000
Research, evaluation and demonstration projects .....	7,450,000	--	7,450,000
State exchange projects ..	<u>159,000</u>	<u>+6,000</u>	<u>165,000</u>
Subtotal, Other program costs .....	50,245,000	+11,926,000	62,171,000
Total, Administrative costs ..	1,179,429,000	+72,025,000	1,251,454,000
<u>Collections:</u>			
State error liability .....	--	-162,000,000	-162,000,000
Total, Available .....	12,638,880,000	-119,175,000	12,519,705,000
<u>Transfers to:</u>			
Extension Service .....	39,627,000	-39,627,000	--
Total, Appropriation .....	<u>12,678,507,000</u>	<u>-158,802,000</u>	<u>12,519,705,000</u>

PROJECT STATEMENT  
(On basis of adjusted appropriation)

Project	1987 Actual	1988 Estimated	Increase or Decrease	1989 Estimated
Benefits:				
Correct benefits .....	\$ 9,686,033,156	\$10,577,073,000	-\$4,091,000(1)	\$10,572,982,000
Erroneous benefits .....	830,832,024	882,378,000	-25,109,000(1)	857,269,000
Total, Benefits costs .....	10,516,865,180	11,459,451,000	-29,200,000	11,430,251,000
Administrative costs:				
State administration .....	993,240,893	1,030,984,000	+42,271,000(2)	1,073,255,000
Employment and Training ...	66,173,618	98,200,000	+17,828,000(3)	116,028,000
Other program costs:				
Printing of stamps .....	14,531,800	20,000,000	+780,000	20,780,000
Shipment of stamps .....	2,638,503	2,726,000	+106,000	2,832,000
Processing redeemed stamps .....	13,123,000	13,661,000	+10,533,000	24,194,000
Computer support systems .....	2,916,000	2,966,000	+373,000	3,339,000
Certification of SSI recipients for food stamps .....	2,200,000	2,273,000	+88,000	2,361,000
Printing redemption certificates .....	108,118	112,000	+4,000	116,000
Bank monitoring system ..	219,021	226,000	+9,000	235,000
Printing other than stamps .....	650,876	672,000	+27,000	699,000
Research, evaluation and demonstration projects .....	8,671,205	7,450,000	---	7,450,000
State exchange projects ..	154,276	159,000	+6,000	165,000
Subtotal, Other program costs .....	45,212,799	50,245,000	+11,926,000(4)	62,171,000
Total, Administrative costs ..	1,104,627,310	1,179,429,000	+72,025,000	1,251,454,000
Total, Obligations .....	11,621,492,490	12,638,880,000	+42,825,000	12,681,705,000
Unobligated balances:				
Lapsing .....	171,795,510	--	--	--
State error liability collections .....	--	--	-162,000,000(5)	-162,000,000
Total, Available .....	11,793,288,000	12,638,880,000	-119,175,000	12,519,705,000
Transfers to:				
Extension Service .....	38,627,000	39,627,000	-39,627,000(6)	--
Total, Appropriation .....	11,831,915,000	12,678,507,000	-158,802,000	12,519,705,000

a/ Includes 12 staff-years in Fiscal Year 1987 for quality control studies and 5 staff-years in Fiscal Year 1988 for the same purpose.



## EXPLANATION OF PROGRAM

The Food Stamp Program, which is authorized through September 30, 1990, by the Food Security Act of 1985, (P.L. 99-198) helps individuals and families with low incomes to obtain a more nutritious diet. Eligible participants are entitled to food stamp allotments based on their household size and net income after provision has been made for certain deductions. The food stamps increase the food purchasing power of eligible households and thus enable them to attain a better diet than would have been possible without the assistance of the Food Stamp Program.

Benefit Costs. The Food Stamp Program is currently in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. Participating households receive food stamps whose value is determined by household size and income. The cost of the stamps is paid by the Federal Government and is called "benefit" costs. As required by law, the food stamp allotments for the various household sizes are periodically revised to reflect changes in the cost of the Thrifty Food Plan. The last revision was made on October 1, 1987.

Erroneous Benefits. Erroneous benefits are payments to ineligible households and overpayments to eligible households. In Fiscal Year 1988 the overpayment error rate is expected to be 7.7 percent of total benefit costs. It is anticipated that this rate will decline to 7.5 percent in Fiscal Year 1989.

The State social service agencies are responsible for certifying eligible households and issuing the food stamps. Authorized grocery stores accept the stamps as payment for food purchases, and forward them to commercial banks for cash or credit. The stamps flow through the banking system to the Federal Reserve Bank for redemption out of a special account maintained by the United States Treasury Department.

In Fiscal Year 1988, an average of 18,823,000 persons are expected to participate in the program monthly and receive stamps worth an average of \$49.88 per person per month.

State Administration. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food stamps, quality control, and fair hearing efforts have been shared by the Federal Government and the States on a 50-50 basis. States may receive 60 percent Federal funding of administrative costs if their error rates are below five percent and a reasonable rate of invalid decisions is attained. State agencies are held liable if their error rate of overissuances and payments to ineligible households exceeds five percent in any fiscal year. Federal funding for 75 percent of automation costs incurred by State agencies is authorized by law.

State administration also includes State anti-fraud activities. Under the provisions of the Food Stamp Act of 1977, as amended, States are eligible to be reimbursed for not less than 75 percent of the costs of their food stamp fraud investigations and prosecutions. Of the funds appropriated for State administration, \$63.3 million has been budgeted to cover State anti-fraud activities in Fiscal Year 1988.

Employment and Training Program. States are required to implement an employment and training program for the purpose of assisting members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment. In Fiscal Year 1988, the Department of Agriculture will provide the authorized basic level and matching funds for participant reimbursements and State administrative costs to assist them in providing employment and training services.

Other Program Costs. In addition to State administrative and employment and training expenses, other program costs borne by the Federal Government include:

- (1) The printing and transporting of stamps to authorized State agencies;
- (2) Processing and destruction of redeemed stamps by Federal Reserve Banks;
- (3) The computer support systems;
- (4) The cost of certifying SSI/Social Security recipients for participation in the Food Stamp Program by the district offices of the Social Security Administration;



- (5) The printing of food stamp redemption certificates;
- (6) The bank monitoring system;
- (7) Printed materials other than stamps to help families living in poverty or near poverty to achieve adequate diets;
- (8) The cost of research, evaluation and demonstration projects authorized under Section 17 of the Food Stamp Act of 1977; and
- (9) State exchange or operation awareness projects through which Federal and State joint efforts reduce fraud, waste and abuse in the Food Stamp Program.

Extension Service. In Fiscal Year 1988 funds will be transferred from the Food Stamp Program appropriation to the Extension Service for the Expanded Food and Nutrition Education Program (EFNEP).

The following reports of audits and investigations have been received in Fiscal Year 1987:

<u>OIG Reports</u>	<u>Date</u>	<u>Subject</u>
27655-2-CH	10/31/86	Wage Match
27650-2-HY	10/31/86	QC Sanction System
27019-30-HY	10/31/86	Accountability/Reconciliation of Coupons at the Federal Reserve
2719-59-CH	2/26/87	National Disqualification Network
27013-41-TE	3/25/87	ATP Reconciliation
27657-1-AT	6/4/87	Accounts Receivable System for Food Stamp Claims

<u>GAO Reports</u>	<u>Date</u>	<u>Subject</u>
RCED-87-4	10/30/86	QC Statistical Validity
RCED-87-51	10/30/87	Case Denials/Terminations (Illinois)
RCED-87-80BR	4/2/87	Trends in Program Applications, Participation Denials and Terminations
RCED-87-102	6/11/87	Simplified Application Demonstration Project
HRD-87-60	9/15/87	Extending Programs to Territories
HRD-87-51	2/19/87	Issues to Consider in Reform

#### JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$29,200,000 in the appropriation for Benefit Costs (\$11,459,451,000 available in 1988) consisting of:

- (a) A decrease of \$4,091,000 for properly issued benefits (\$10,577,073,000 available in 1988).

Need for Change. For Fiscal Year 1989, the scheduled increase in the Thrifty Food Plan will result in an increase in benefits for all households. The increase will be offset by an anticipated reduction in the rate of program participation from 18.82 million in Fiscal Year 1988 to 18.77 million in Fiscal Year 1989, due to a number of factors, including a lower estimated level of unemployment in Fiscal Year 1989.

Nature of Change. A comparison of key program workload and cost indicators for Fiscal Years 1987 through 1989 is presented below:

	<u>FY 1987</u> <u>Actual</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Estimate</u>
Average participation (000)	19,114	18,823	18,771
Average unemployment rate (percent)	6.43	5.90	5.75
Thrifty Food Plan	\$271.00	\$290.00	\$294.00
Average benefit per person per month	\$45.84	\$49.88	\$50.74

- (b) A decrease of \$25,109,000 for erroneous benefits (\$882,378,000) available in 1988.

Need for change. The error rate is projected to decline from 7.7 percent in Fiscal Year 1988 to 7.5 percent in Fiscal Year 1989.

Nature of change. A comparison of error rates and erroneous benefits follows:

	<u>FY 1987</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Estimate</u>
Amount of erroneous benefits (\$ millions)	\$831	\$882	\$857
Error rate	0.079	0.077	0.075

- (2) An increase of \$42,271,000 in the appropriation for State Administrative Costs (\$1,030,984,000 available in 1988).

Need for Change. Based on the most recent economic projections, moderate rates of inflation between 1988 and 1989 are expected to increase the cost of providing food stamp benefits.

Nature of Change. This increase reflects the application of a projected rate of inflation of 4.1 percent to the Fiscal Year 1988 base level for costs shared by State and Local agencies and the Federal Government.

- (3) An increase of \$17,828,000 in the appropriation for the Employment and Training Program (\$98,200,000 available in 1988).

Need for Change. The increase of \$17,828,000 is necessary to provide the \$15 million increase authorized for the basic level and \$2.8 million in matching funds for participant reimbursements and State administrative costs to carry out the Employment and Training Program.

Nature of Change. Public Law 99-195 mandates the Secretary to allocate funds among the States to carry out the Employment and Training Program. This level of funding will enable the Department to provide States the \$75 million authorized for the basic level and additional matching funds for participant reimbursement and State administrative costs to assist them in providing employment and training services.

(4) An increase of \$11,926,000 in the appropriation for Other Program Costs (\$50,245,000 available in Fiscal Year 1988) consisting of:

- (a) An increase of \$780,000 in the appropriation for the printing of stamps (\$20,000,000 available in Fiscal Year 1988).
- (b) An increase of \$106,000 in the appropriation for the shipping of stamps (\$2,726,000 available in Fiscal Year 1988).
- (c) An increase of \$10,533,000 in the appropriation for the processing of redeemed stamps (\$13,661,000 available in Fiscal Year 1988). This increase includes a one-time, \$10,000,000 investment in modernization of the food coupon redemption system.
- (d) An increase of \$373,000 in the appropriation for the cost of computer support systems (\$2,966,000 available in Fiscal Year 1988).
- (e) An increase of \$88,000 in the appropriation for the cost of certification of Supplemental Security Income recipients for food stamps (\$2,273,000 available in Fiscal Year 1988).
- (f) An increase of \$4,000 in the appropriation for the cost of printing redemption certificates (\$112,000 available in Fiscal Year 1988).
- (g) An increase of \$9,000 in the appropriation for the cost of the bank monitoring system (\$226,000 available in Fiscal Year 1988).
- (h) An increase of \$27,000 in the appropriation for printing other than stamps (\$672,000 available in Fiscal Year 1988).
- (i) An increase of \$6,000 in the appropriation for State exchange projects (\$159,000 available in Fiscal Year 1988).

Need for Change. Increases in other program costs are attributed to the moderate rates of inflation projected between 1988 and 1989 and one-time program investments.

(5) A decrease of \$162,000,000 resulting from collections for State error liabilities.

(6) A decrease of \$39,627,000 transferred to the Extension Service (\$39,627,000 available in 1988).

Need for Change. Transfers to discretionary accounts from the mandatory Food Stamp Appropriation are not proposed in Fiscal Year 1989.



## FOOD AND NUTRITION SERVICE

The estimates include new appropriation language for this item. (New language is underscored.)

Nutrition Assistance for Puerto Rico:

For monthly payments to the Commonwealth of Puerto Rico for nutrition assistance,  
as authorized by 7 U.S.C. 2028, \$908,250,000.

This change provides a separate appropriation for Nutrition Assistance for Puerto Rico. Comparable language was deleted from the appropriation for the Food Stamp Program.

NUTRITION ASSISTANCE FOR PUERTO RICO

Appropriations Act, 1988.....	\$879,250,000
Budget Estimate, 1989.....	908,250,000
Increase in Appropriation.....	<u>+29,000,000</u>

SUMMARY OF INCREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Program Change</u>	<u>1989 Estimated</u>
Nutrition Assistance for Puerto Rico.....	<u>\$879,250,000</u>	<u>+\$29,000,000</u>	<u>\$908,250,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>	<u>1988 Estimated</u>	<u>Increase</u>	<u>1989 Estimated</u>
Nutrition Assistance for Puerto Rico.....	\$ 852,750,000	\$ 879,250,000	+\$29,000,000	\$ 908,250,000

EXPLANATION OF PROGRAM

Authorized by section 116(a) of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), a grant for nutrition assistance to Puerto Rico was implemented July 1, 1982. This grant, which replaced the Food Stamp Program in Puerto Rico, gives the Commonwealth broad flexibility to establish a food assistance program that is specifically tailored to the needs of its low-income households. However, the Commonwealth must submit its annual plan of operation to the Secretary for approval. The Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, reauthorizes appropriations through Fiscal Year 1990.

In addition to the provision of direct benefits to the needy, a portion of the grant may be used to fund up to 50 percent of the costs of administering the program. The grant may also be used to fund projects to improve agriculture and food distribution in Puerto Rico. Two such projects were in operation during Fiscal Year 1986. Only one project was funded during Fiscal Year 1987 and it will continue to be funded during Fiscal Year 1988.

JUSTIFICATION OF INCREASES

- (1) An increase of \$29,000,000 in the appropriation for Nutrition Assistance for Puerto Rico (\$879,250,000 available in 1988).

This increase is consistent with the authorized funding level.



## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Food Donations Programs] Cash and Commodities for Selected Groups:

For necessary expenses to carry out section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), section 4(b) of the Food Stamp Act (7 U.S.C. 2013), and section 311 of the Older Americans Act of 1965, as amended (42 U.S.C. 3030a[(a)]), [\$194,108,000] \$199,147,000.

## CASH AND COMMODITIES FOR SELECTED GROUPS

Appropriations Act, 1988 .....	\$194,108,000
Budget Estimate, 1989 .....	199,147,000
Increase in Appropriation .....	<u>+5,039,000</u>

SUMMARY OF INCREASES  
(On basis of appropriation)

	<u>1988 Estimated</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Food Distribution Program on Indian Reservations:			
Commodities-in-lieu of food stamps.....	\$40,736,091	+\$904,572	\$41,640,663
Payments to distributing agencies for administration.....	15,362,909	+850,428	16,213,337
Total, Food Distribution Program on Indian Reservations.....	56,099,000	+1,755,000	57,854,000
Nutrition Program for the Elderly.....	138,009,000	+3,284,000	141,293,000
Total Available.....	<u>194,108,000</u>	<u>+5,039,000</u>	<u>199,147,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

Project	1987 Actual	1988 Estimated	Increase	1989 Estimated
Food Distribution Program on Indian Reservations:				
Commodities in lieu of food stamps.....	\$40,637,000	\$40,736,091	+\$904,572	\$41,640,663
Payments to distributing agencies for administration.....	14,805,387	15,362,909	+850,428	16,213,337
Subtotal, Food Distribution Program on Indian Reservations.....	55,442,387	56,099,000	+1,755,000 (1)	57,854,000
Nutrition Program for the Elderly:				
(a) Commodities.....	7,257,682	7,060,106	+4,544	7,064,650
(b) Cash in lieu of commodities.....	122,751,619	130,948,894	+3,279,456	134,228,350
Subtotal, Nutrition Program for the Elderly.....	130,009,301	138,009,000	+3,284,000 (2)	141,293,000
Total Obligations.....	185,451,688	194,108,000	+5,039,000	199,147,000
Unobligated balance lapsing..	8,137,312	--	--	--
Total, Appropriation.....	<u>193,589,000</u>	<u>194,108,000</u>	<u>+5,039,000</u>	<u>199,147,000</u>

### EXPLANATION OF PROGRAM

Cash and Commodities for Selected Groups includes funds for: the Food Distribution Program on Indian Reservations; the continuation of food assistance to residents of the Freely Associated States (Federated States of Micronesia and the Marshall Islands) and the Republic of Palau; and the Nutrition Program for the Elderly.

Food Distribution Programs on Indian Reservations and in the Pacific Islands. The Food and Agriculture Act of 1977 authorized the distribution of agricultural commodities to eligible needy persons residing on or near Indian reservations or in the Pacific Islands. The Act requires that a food distribution program be established on an Indian reservation if an Indian Tribal Organization (ITO) requests the program. If the ITO is capable of administering the program, it may do so in lieu of administration by a State agency. P.L. 97-98 authorized low-income Indian households residing in Oklahoma to participate in the program.

The Compact of Free Association Act of 1985 (P.L. 99-239) as amended by the Palau Compact of Free Association Act (P.L. 99-658) terminated the Trusteeship Agreement with the Federated States of Micronesia and the Marshall Islands and established them as Freely Associated States. For transition purposes, food assistance will continue in Fiscal Year 1988 but at reduced levels, except in nuclear affected zones, as prescribed by these laws. Food assistance for Palau will continue at normal levels until a compact is in effect for that area. Beginning in Fiscal Year 1988, FNS plans to provide assistance to the Pacific Islands in the form of cash.

In Fiscal Year 1988 participation in the Food Distribution Program on Indian Reservations is expected to average about 144,500 per month. It is estimated that 520 residents of the Pacific Islands will receive food assistance each month in FY 1988.

The foods made available to the distributing agencies include canned meat, fruit, vegetables and juice, flour, rice, evaporated milk, dry milk and shortening. To the extent that surplus price-support commodities are available and can be used without waste, the Commodity Credit Corporation (CCC) donates them for use in this program. In Fiscal Year 1988 the cost of the food package distributed on Indian reservations will average about \$22.33 per person per month, excluding the value of commodities donated by CCC.

Cash payments are made to distributing agencies to assist them in meeting the administrative expenses incurred in operating a food distribution program. In Fiscal Year 1987, the Federal Government paid 79 percent of distributing agencies' administrative expenses. Included among these costs are local warehousing and transportation of commodities, utilities, salaries and equipment.

Nutrition Program for the Elderly. Food assistance for the Nutrition Program for the Elderly is authorized by Titles III and VI of the Older Americans Act of 1965. The Older Americans Act Amendments of 1987 (P.L. 100-175) reauthorized the program through Fiscal Year 1991. The foods provided are used in preparing meals which are served in senior citizen centers and similar settings or delivered to the home-bound elderly. These meals are the focal point of the nutrition projects for the elderly which have the dual objectives of promoting better health and reducing the isolation of old age.

Currently, commodities or cash in lieu of commodities are distributed through State agencies to the local meal sites at a specific rate per meal set by law. P.L. 100-175 set the rate at 56.76 cents per meal through Fiscal Year 1991. Some States elect to take all of their subsidies in cash and some States choose to receive a combination of cash and commodities. The commodities made available to the Nutrition Program for the Elderly are generally the same as those provided to schools under the Child Nutrition Programs.

Although originally a program to distribute nutritious USDA purchased commodities to senior meal sites, the program has evolved primarily into a cash subsidy program. Approximately 95 percent of program resources are distributed to meal providers in cash.

The amount available for Fiscal Year 1988 will support 243 million meals at a reimbursement rate of 56.76 cents per meal.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$1,755,000 in the appropriation for the Food Distribution Program on Indian Reservations and in the Pacific Islands.

Need for Change. The increase of \$1,755,000 from the 1988 appropriation to the 1989 request reflects higher anticipated participation and administrative costs.

Nature of Change. Funds requested will allow the average monthly participation in the Food Distribution Program on Indian Reservations to increase over the 1988 level.

<u>Food Distribution Program</u>				
	<u>FY 1987</u> <u>Actual</u>	<u>FY 1988</u> <u>Estimate</u>	<u>FY 1989</u> <u>Estimate</u>	<u>Change</u>
<u>Indian Reservations:</u>				
Average participation	140,612	144,493	145,493	+1,000
Average monthly food package:				
FNS purchased	\$22.00	\$22.33	\$22.71	+\$ .38
CCC bonus commodities	6.74	6.69	6.76	+\$ .07
Total monthly food package	\$28.74	\$29.02	\$29.47	+\$ .45
Annual value of				
FNS purchased				
commodities	\$37,430,448	\$38,718,344	\$39,649,752	+\$904,572
Indian Administration Cost	14,805,387	15,362,909	16,213,337	+850,428
<u>Pacific Islands</u>	1,596,552	1,517,747	1,490,911	-26,836
<u>Disaster Feeding</u>	1,610,000	500,000	500,000	--
TOTAL FNS COST	\$55,442,387	\$56,099,000	\$57,854,000	+1,755,000
CCC bonus commodities	11,123,325	11,643,000	11,844,000	+201,000
GRAND TOTAL	\$66,565,712	\$67,742,000	\$69,698,000	1,956,000

- (2) An increase of \$3,284,000 in the appropriation for the Nutrition Program for the Elderly

Need for Change. The increase of \$3,284,000 from the 1988 appropriation to the 1989 request would allow an increase in the number of meals served.

Nature of Change. Increased funding will support anticipated program growth.

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Meals served (millions)	232	243	249
Rate per meal (cents)	56.76	56.76	56.76

## FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Program Administration:

For necessary administrative expenses of the Domestic Food Programs funded under this Act, [~~\$85,828,000~~] \$94,825,000; of which \$5,000,000 shall be available only for simplifying procedures, reducing overhead costs, tightening regulations, improving food stamp coupon handling, and assistance in the prevention, identification, and prosecution of fraud and other violations of law: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$150,000 shall be available for employment under 5 U.S.C. 3109.

FOOD PROGRAM ADMINISTRATION

Appropriations Act, 1988 .....	\$85,828,000
Budget Estimate, 1989 .....	<u>94,825,000</u>
Increase in Appropriation .....	<u>+8,997,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	<u>1988 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>1989 Estimated</u>
Child Nutrition .....	\$27,757,000	+\$215,000	+\$6,148,000	\$34,120,000
Special Milk .....	154,000	+1,000	+6,000	161,000
Supplemental Feeding .....	7,021,000	+55,000	+239,000	7,315,000
Food Stamps .....	49,094,000	+381,000	+1,876,000	51,351,000
Cash and Commodity Subsidies .....	<u>1,802,000</u>	<u>+14,000</u>	<u>+62,000</u>	<u>1,878,000</u>
 Total Available .....	 <u>85,828,000</u>	 <u>+666,000</u>	 <u>+8,331,000</u>	 <u>94,825,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

<u>Project</u>	<u>1987 Actual</u>		<u>1988 Estimated</u>		<u>Increase</u>	<u>1989 Estimated</u>	
	<u>Amount</u>	<u>:Staff:</u>	<u>Amount</u>	<u>:Staff:</u>		<u>Amount</u>	<u>:Staff:</u>
		<u>:Years:</u>		<u>:Years:</u>			<u>:Years:</u>
1. Child Nutrition.....	\$27,140,000:	604:	\$27,757,000:	619:	+\$6,363,000	\$34,120,000:	592
2. Special Milk.....	151,000:	3:	154,000:	3:	+7,000	161,000:	3
3. Supplemental Feeding..:	6,865,000:	153:	7,021,000:	157:	+294,000	7,315,000:	150
4. Food Stamps.....	47,975,515:	1,069:	49,094,000:	1,096:	+2,257,000	51,351,000:	1,047
5. Cash and Commodity	:	:	:	:	:	:	:
Subsidies .....	1,762,000:	39:	1,802,000:	40:	+76,000	1,878,000:	38
Unobligated balance.....	873,485:	--:	--:	--:	--	--:	--
Total available or	:	:	:	:	:	:	:
estimate.....	84,767,000:	1,868:	85,828,000:	1,915:	+8,997,000(1):	94,825,000:	1,830
Transfer to Departmental:	:	:	:	:			
Administration.....	+27,000:	--:	--:	:			
Total, Appropriation....:	<u>84,794,000:</u>	<u>1,868:</u>	<u>85,828,000:</u>				



EXPLANATION OF PROGRAM

Federal expenses associated with administration of the Food and Nutrition Service (FNS) programs are funded by the Food Program Administration (FPA) appropriation. These expenses include program and policy development; program monitoring; assistance to State agencies, which actually operate the programs; and general management support. Costs directly associated with delivery of benefits to participants are generally shared with the States and are funded from the individual program appropriations. Direct Federal operation of programs is provided through the FPA appropriation in certain cases where a State is prohibited by law from disbursing program funds or where no State agency has assumed administrative responsibility.

The following programs are administered by FNS: Child Nutrition Programs, Special Milk Program, Supplemental Feeding Programs, Food Stamp Program, and Cash and Commodity Subsidies. Also included are Surplus Commodity Donations Activities, National Commodity Processing and Nutrition Assistance for Puerto Rico.

Administrative functions of FNS are managed by an Administrator, an Associate Administrator and four Deputy Administrators. Each Deputy Administrator is responsible for management of program or administrative functions, as follows:

- Family Nutrition Programs - policy and planning related to the Food Stamp Program. Also handles retail store compliance and monitoring investigations through field locations.
- Special Nutrition Programs - program planning, development and oversight for Child Nutrition, Supplemental Feeding Programs, Cash and Commodity Subsidies, National Commodity Processing and nutrition and technical services.
- Financial Management - accounting, budget and management information functions for all FNS programs.
- Management - personnel, equal employment opportunity, automated data processing and general administrative services.

An Office of Regional Operations manages the seven regional offices and 64 field offices. These offices maintain direct contact with State agencies which administer the FNS programs and also conduct on-site management reviews of State operations.

A major area of emphasis in the administration of FNS programs involves improved management and reduced cost in program operations. Management reviews of State operations, carried out by regional office personnel, are a high priority. These reviews focus on compliance with program regulations as well as general operational concerns. In addition to management reviews, FNS is placing increased emphasis on systematic reviews of financial operations and reporting.

Food Stamp Program quality control reviews, to assess the States' liabilities with regard to benefit overissuance, is a second area of emphasis. Major studies have been completed and recommendations are under review. Assistance with computerized systems to monitor error rates has been made available to all States.

FNS continues to emphasize shared data and experience through dissemination of information on approved program operations among States and encouragement of multi-State training efforts.

Current emphasis in the Information Resources Management (IRM) plan includes the installation of recently acquired computer equipment and associated staff training. As the IRM computer acquisitions and systems become operational, FNS can more effectively use staff resources and continue management improvements.

<u>OIG Report</u>	<u>Date</u>	<u>Subject</u>
27645-4-CH	7/10/87	Cash and Debt Management
<u>GAO Report</u>	<u>Date</u>	<u>Subject</u>
90509	4/87	FNS Accounting System

## JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$1,121,000 for salaries and benefits consisting of an increase of \$273,000 for annualization of the 1988 pay raise, \$393,000 for annualization of FERS costs, \$540,000 to cover the increased cost of health benefits, and salary savings of \$2,327,000 due to a staff-year reduction of 85.

Need for Change. Salary and benefit costs are increased to provide for annualization of the 1988 civilian pay raise, employees transferring and new employees going into the new Federal Employees Retirement System, and the full year cost of the 31 percent increase in health benefit costs. The reduction of 85 staff-years will reduce the agency salary and benefit costs by \$2,327,000.

- (2) An increase of \$10,118,000 of cost for contracting services, the fourth year of the Information Resources Management Plan, and inflation.

Need for Change. Contract services are needed to effectively meet the needs for redesign and implementation of several critical agency management systems. These systems have become obsolete due to:

- changing program priorities, and
- effective use of computer technology

Systems problems have been identified by auditors and agency systems design groups which require significant attention. These systems include Child Nutrition claims monitoring, Food Stamp redemption and the FNS accounting system. In addition, a comprehensive work force management system must be initiated.

Travel and other FPA costs have been increased by around three percent for inflation, \$398,000.

Nature of Change. The amount requested will provide for significant systems development efforts in the following areas:

- Child Nutrition Federal Review Initiative (\$5,200,000) work is currently underway to develop a system to be implemented in Fiscal Year 1989 for independent verification of school food service claims. This initiative is in response to a series of audit findings which identified a substantial number of program errors. These findings confirm the results of analysis of program data which indicated the potential for a significant level of program errors. The primary objective of this effort is to improve the accuracy of school food service claims.
- Accounting system (\$1,350,000) is a one-time cost for the purchase and installation of an accounting system for food service program funds. The existing system was purchased in 1983 and has come under pointed GAO criticism for not performing reconciliation or yielding required reports. An off-the-shelf, on-line system will reduce the workload intensive adjustments repeatedly required under the current system.
- Information Resources Management (\$2,770,000) -- a total of \$5,600,000 for the fourth year requirements of the FNS IRM plan (\$2,830,000 available in Fiscal Year 1988). Key purchases for Fiscal Year 1989 include acquisition of additional work stations necessary for full implementation of local information networks.
- Work measurement (\$200,000) assistance is needed to assist FNS in analyzing its current staff allocations. No system currently is in place for accurately reporting the use of staff resources.
- Food Stamp Redemption System (\$200,000) which is targeted to redesign of the automated bank monitoring reports, redesign of the food coupon redemption certificates, extensive training and technical assistance activities to prepare banks for new redemption procedures and to implement a new coupon redemption process that will ensure complete accountability. In addition, \$10 million is budgeted under the Food Stamp Appropriation for acquisition of equipment required for efficient coupon handling and destruction.

## GENERAL PROVISIONS

The estimates include General Provisions language as follows (new language underscored; deleted matter enclosed in brackets):

Section 601: Limits expenditures on consulting services obtained through procurement contracts to contracts of public record.

Sec. 601. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive Order issued pursuant to existing law.

Section 602: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1988:

Sec. 602. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the fiscal year 1 [1988] 1989 under this Act shall be available for the purchase, in addition 2 to those specifically provided for, of not to exceed [seven hundred and 3 fifty-four (754)] 694 passenger motor vehicles, of which [seven hundred and forty-six (746)] 689 shall be for replacement only, and for the hire of such vehicles.

The first change adds language making this section of the General Provisions applicable to fiscal year 1989.

The second and third changes revise the total number of passenger motor vehicles to be acquired in fiscal year 1989. The estimates propose the acquisition of 694 passenger motor vehicles. Of this amount 689 would be acquired to replace existing vehicles and 5 would be additions to the fleet. Of the 5 vehicles to be acquired without exchange, 1 to replace a light truck type vehicle owned by the Foreign Agricultural Service; 3 are to be used by the Agricultural Marketing Service to provide a means of transportation for graders in the Imported Tobacco Inspection Program; and 1 for use by the National Agricultural Statistics Service.

Section 603: Provides that funds available to the Department of Agriculture shall be available for uniforms or uniform allowances.

Sec. 603. Funds in this Act available to the Department of Agriculture shall be available for uniforms or allowances therefor[e] as authorized by law (5 U.S.C. 5901-5902).

Section 604: Provides that not less than \$1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

Sec. 604. Not less than \$1,500,000 of the appropriations of the Department of Agriculture in this Act for research and service work authorized by the Acts of August 14, 1946 and July 28, 1954, and (7 U.S.C. 427, 1621-1629), and by chapter 63 of title 31, United States Code, shall be available for contracting in accordance with said Acts and chapter.

Section 605: Prohibits the use of funds in this Act to make production or other payments to a person, persons, or corporations who harvest or knowingly permit to be harvested for illegal use, marijuana, or other prohibited drug-producing plants on lands owned or controlled by such persons or corporations.

Sec. 605. No part of the funds contained in this Act may be used to make production or other payments to a person, persons, or corporations upon a final finding by court of competent jurisdiction that such party is guilty of growing, cultivating, harvesting, processing or storing marijuana, or other such prohibited drug-producing plants on any part of lands owned or controlled by such persons or corporations.

Section 606: Provides that advances of money from any appropriation in this Act for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

Sec. 606. Advances of money to chiefs of field parties from any appropriation in this Act for the Department of Agriculture may be made by authority of the Secretary of Agriculture.

Section 607: Provides a limitation on the cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations.

Sec. 607. The cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations shall not exceed \$2,000,000: Provided, That no funds in this Act appropriated to an agency of the Department shall be transferred to the Working Capital Fund without the approval of the agency administrator.

Section 608: Provides that certain funds are to remain available until expended.

- Sec. 608. New obligational authority provided for the following appropriation items in this Act shall remain available until
- 1 expended: Public Law 480; [Mutual and Self-Help Housing; Watershed and Flood
  - 2 Prevention Operations;] Water Resource Management and Protection; Resource
  - 3 Conservation and Development; [Colorado River Basin Salinity Control
  - Program;] Animal and Plant Health Inspection Service, [\$4,500,000] \$5,000,000
- for the contingency fund to meet emergency conditions, and buildings and facilities; Agricultural Stabilization and Conservation Service, salaries and expenses funds made available to county committees; the Federal Crop Insurance Corporation Fund; [Rural Housing for Domestic Farm Labor;] Agricultural Research Service, buildings and facilities; [Scientific Activities Overseas (Foreign Currency Program); Dairy Indemnity Program; \$5,000,000 for the grasshopper and Mormon cricket control program, Animal and Plant Health Inspection Service; \$2,852,000 for higher education training grants under section 1417(a)(3)(B) of Public Law 95-113, as amended (7 U.S.C. 3152(a)(3)(B));] and buildings and facilities, Food and Drug Administration.

The first and third changes delete the respective accounts. There are no program funds requested for these accounts, therefore, it is not necessary to have this requirement.

The second change includes the account, Water Resource Management and Protection, so that funds may be available until expended.

Section 609: Provides that no part of any appropriation in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Sec. 609. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Section 610: Provides a limitation on the amount of funds available to provide orientation and language training for families of officers and employees of the Department in anticipation of an assignment abroad of such officers and employees or while abroad, pursuant to Public Law 94-449.

Sec. 610. Not to exceed \$50,000 of the appropriation available to the Department of Agriculture in this Act shall be available to provide appropriate orientation and language training pursuant to Public Law 94-449.

Section 611: Provides that employees of the agencies of the Department of Agriculture may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized.



Sec. 611. Notwithstanding any other provision of law, employees of the agencies of the Department of Agriculture, including employees of the Agricultural Stabilization and Conservation county committees, may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized, and ceilings on full-time equivalent staff years established for or by the Department of Agriculture shall exclude overtime as well as staff years expended as a result of carrying out programs associated with natural disasters, such as forest fires, droughts, floods, and other acts of God.

Section 612: Requires that funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.

[Sec. 612. Funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.]

This change deletes the entire section 612. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out responsibilities to see that the programs of the Department are operated in the most efficient and effective manner.

Section 613: Limits expenditure of funds on contracts for services to those awarded in accordance with existing law.

[Sec. 613. No part of any appropriation contained in this Act shall be expended by any executive agency, as referred to in the Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), pursuant to any obligation for services by contract, unless such executive agency has awarded and entered into such contract as provided by law.]

This change deletes the entire section 613. This provision is unnecessary because funds are expended on contracts for services that are awarded in accordance with existing law.

Section 614. Prohibits use of funds to enforce regulations that have been disapproved in accordance with applicable law.

[Sec. 614. None of the funds appropriated or otherwise made available by this Act shall be available to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.]

This change deletes the entire section 614. Funds of this Department are not available to implement regulations disapproved by the Congress in accordance with the applicable law of the United States.

Section 615: Specifies the minimum amount of certificates of beneficial ownership that must be sold by the Farmers Home Administration during the fiscal year.

[Sec. 615. Certificates of beneficial ownership sold by the Farmers Home Administration in connection with the Agricultural Credit Insurance Fund, Rural Housing Insurance Fund, and the Rural Development Insurance Fund shall be not less than 65 per centum of the value of the loans closed during the fiscal year.]

This change deletes the entire section 615. Effective and efficient operation of the cash management activities of the Department requires that the Executive Branch have control over the decision to sell certificates of beneficial ownership.

Section 616: Limits the negotiated indirect cost rates on cooperative agreements between the Department and nonprofit institutions to 10 per centum of the value of the agreement.

Sec. [616] 612. No funds appropriated by this Act may be used to pay negotiated indirect cost rates on cooperative agreements or similar arrangements between the United States Department of Agriculture and nonprofit institutions in excess of 10 per centum of the total direct cost of the agreement when the purpose of such cooperative arrangements is to carry out programs of mutual interest between the two parties. This does not preclude appropriate payment of indirect costs on grants and contracts with such institutions when such indirect costs are computed on a similar basis for all agencies for which appropriations are provided in this Act.

This change renumbers the section due to deletion of other sections.

Section 617: Funds shall not be used to carry out any activity related to the phasing out of the Resource Conservation and Development Program.

[Sec. 617. None of the funds in this Act shall be used to carry out any activity related to phasing out the Resource Conservation and Development Program.]

This change deletes the entire section 617. The budget does not propose to terminate this program.

Section 618: Ensures the Commodity Credit Corporation's right and obligation to sell surplus commodities in world trade at competitive prices.

Sec. [618] 613. None of the funds in this Act shall be used to prevent or interfere with the right and obligation of the Commodity Credit Corporation to sell surplus agricultural commodities in world trade at competitive prices as authorized by law.

This change renumbers the section due to the deletion of other sections.

Section 619: Enables the Secretary of Agriculture to provide commodities to individuals in certain hardship situations.

Sec. [619] 614. Notwithstanding any other provision of this Act, commodities acquired by the Department in connection with Commodity Credit Corporation and section 32 price support operations may be used, as authorized by law (15 U.S.C. 714c and 7 U.S.C. 612c), to provide commodities to individuals in cases of hardship as determined by the Secretary of Agriculture.

This change renumbers the section due to the deletion of other sections.

Section 620: Requires that before any funds may be paid from the Treasury, or any other fund of a Government corporation, with respect to laws made and credits extended to the Polish People's Republic, that Republic must have been declared to be in default of its debt or the President on a monthly basis, must justify payments as serving the national interest.



[Sec. 620. During fiscal year 1988, notwithstanding any other provision of law, no funds may be paid out of the Treasury of the United States or out of any fund of a Government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the manner in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreement with respect to loans made or credits extended to the Polish People's Republic in the absence of a declaration of default.]

This change deletes the entire section. Allowing the Polish People's Republic to declare default would preclude the recovery of funds owed and create a precedent for other countries to pursue in times of economic hardship.

Section 621: Limits the expenditure of appropriated funds for space rental and related costs - to that level included in the 1988 budget.

Sec. [621] 615. None of the funds in this Act shall be available to reimburse the General Services Administration for payment of space rental and related costs in excess of the amounts specified in this Act; nor shall this or any other provision of law require a reduction in the level of rental space or services below that of fiscal year [1987] 1988 or prohibit an expansion of rental space or services with the use of funds otherwise appropriated in this Act.

This change rennumbers the section due to the deletion of other sections.

Section 622: Requires that not less than twenty construction starts will be initiated in FY 1988, under the Watershed Protection and Flood Prevention Act, P.L. 566 (not less than twenty new projects), and the Flood Prevention Act, P.L. 534 (not less than five new projects).

[Sec. 622. In fiscal year 1988, the Secretary of Agriculture shall initiate construction on not less than twenty new projects under the Watershed Protection and Flood Prevention Act (Public Law 566) and not less than five new projects under the Flood Control Act (Public Law 534).]

This change deletes the entire section. The water resource programs are proposed to be funded at a reduced funding level for fiscal year 1989. At the reduced funding level project managers would be more selective in making planning and construction start commitments. There is also a proposal to merge the separate appropriations for river basin surveys and investigations, watershed planning, and watershed construction into a single account which should provide some additional management flexibility.

Section 623: Provides that funds may be used for translating certain USDA publications.

Sec. [623] 616. Funds provided by this Act may be used for translation of publications of the Department of Agriculture into foreign languages when determined by the Secretary to be in the public interest.

This change rennumbers the section due to deletion of other sections.

Section 624: Precludes the relocation of the FmHA State Office in Hawaii.

[Sec. 624. None of the funds appropriated by this or any other Act may be used to relocate the Hawaii State Office of the Farmers Home Administration from Hilo, Hawaii, to Honolulu, Hawaii.]

This change deletes the entire section. This change is requested in order to permit the Secretary and his staff in the Farmers Home Administration the flexibility needed to carry out the mission of that agency.

Section 625: Exempts veterinarians from constraints on personal services contracts under existing law.

Sec. [625] 617. Provisions of law prohibiting or restricting personal services contracts shall not apply to veterinarians employed by the Department to take animal blood samples, test and vaccinate animals, and perform branding and tagging activities on a fee-for-service basis.

This change renumbers the section due to the deletion of other sections.

Section 626: Establishes minimum staff year floors for certain agencies.

[Sec. 626. None of the funds provided in this Act may be used to reduce programs by establishing an end-of-year employment ceiling on full-time equivalent staff years below the level set herein for the following agencies: Farmers Home Administration, 12,675; Agricultural Stabilization and Conservation Service, 2,550; Rural Electrification Administration, 550; and Soil Conservation Service, 14,177.]

This change deletes the entire section. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of the Department in the most efficient and effective manner.

Section 627: Funds appropriated for one-year contracts which extend over two-years are to be obligated in the year funds are appropriated.

Sec. [627] 618 Funds provided in this Act may be used for one-year contracts which are to be performed in two fiscal years so long as the total amount for such contracts is obligated in the year for which the funds are appropriated.

This change renumbers the section due to the deletion of other sections.

Section 628: Funds may be applied only to the objects for which appropriations were made.

Sec. [628] 619. Funds appropriated by this Act shall be applied only to the objects for which appropriations were made except as otherwise provided by law, as required by 31 U.S.C. 1301.

This change renumbers the section due to the deletion of other sections.

Section 629: No funds are to be available to restrict the Commodity Credit Corporation from leasing space for its own use or to lease space for others when the space will be jointly occupied.

Sec. [629] 620. None of the funds in this Act shall be available to restrict the authority of the Commodity Credit Corporation to lease space for its own use or to lease space on behalf of other agencies of the Department of Agriculture when such space will be jointly occupied.

This change renumbers the section due to the deletion of other sections.

Section 630: Prohibits the release of information acquired in connection with the administration of marketing orders, other than aggregate data.

[Sec. 630. None of the funds provided in this Act may be expended to release information acquired from any handler under the Agricultural Marketing Agreement Act of 1937, as amended: Provided, That this provision shall not prohibit the release of information to other Federal agencies for enforcement purposes: Provided further, That this provision shall not prohibit the release of aggregate statistical data used in formulating regulations pursuant to the Agricultural Marketing Agreement Act of 1937, as amended: Provided further, That this provision shall not prohibit the release of information submitted by milk handlers.]

This change deletes the whole section. The Department considers the handler affiliation of particular growers and all other commercial or financial information submitted by handlers to be confidential and exempt from disclosure under the FOIA pursuant to the Agricultural Marketing Act of 1937.

Section 631. Prohibits the use of private debt collection agencies by the Farmers Home Administration.

[Sec. 631. Unless otherwise provided in this Act, none of the funds appropriated or otherwise made available in this Act may be used by the Farmers Home Administration to employ or otherwise contract with private debt collection agencies to collect delinquent payments from Farmers Home Administration borrowers.]

This change deletes the whole section. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out the efficient operation of these programs.

Section 632. Provides authority to each Farmers Home Administration district office to exempt any existing dwelling from limitation of the number of square feet of living area contained in a dwelling for eligibility of loans under section 502 of the Housing Act of 1949 if the dwelling is modest in design, size and cost for the area in which it is located.

[Sec. 632. During fiscal year 1988 and each succeeding fiscal year, the Secretary of Agriculture shall permit each district office of the Farmers Home Administration to exempt any existing dwelling from any limitation established by the Secretary on the number of square feet of living area that may be contained in a dwelling to be eligible for a loan under section 502 of the Housing Act of 1949, if the dwelling is modest in design, size, and cost for the area in which it is located.]

This change eliminates this section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 633. Provides a borrower of a REA loan made by the Federal Financing Bank and guaranteed by REA the option of prepaying a loan.

[Sec. 633. Hereafter, notwithstanding section 306A,(c),(d), and (e) of the Rural Electrification Act of 1936, as amended, a borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 of such Act (7 U.S.C. 936) may, at the option of the borrower, prepay such loan (or any loan advance thereunder) in accordance with section 306A (a) and (b) of such Act: Provided, That any prepayment in excess of \$2,500,000,000 shall be subject to the approval of the Secretary of the Treasury.]

This change deletes this entire section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 634: Prohibits the use of funds appropriated in this Act or any other Act, by any Federal agency to alter the method of computing normalized prices for agricultural commodities in evaluating water resources development projects.

[Sec. 634. None of the funds appropriated in this Act or any other Act shall be used to alter the method of computing normalized prices for agricultural commodities for use by any Federal agency in evaluating water resources development projects to be undertaken in whole or in part with Federal funds that was in effect as of January 1, 1986.]

This change deletes the whole section. This change is requested in order to distinguish between the many agricultural projects that are economically justified without continued operation of USDA commodity price and income support programs from those that are not.

Section 635: No funds made available under this Act shall be used to sell loans made by the Agricultural Credit Insurance Fund.

[Sec. 635. None of the funds in this Act, or otherwise made available by this Act, shall be used to sell loans made by the Agricultural Credit Insurance Fund.]

This change deletes the entire section. It is requested in order to allow the Secretary, his policy staff and program managers the flexibility needed to operate in the most efficient and effective manner.

Section 636: Amends the Food Security Act of 1985 with regard to non-profit national rural development and finance corporations by extending the authorization for one year.

[Sec. 636. (a) Section 1323 (a)(1) of the Food Security Act of 1985 is amended by striking out "For the fiscal year ending September 30, 1987" and inserting in lieu thereof "Prior to September 30, 1988", and (b) Section 1323(a)(5) of such Act is amended by striking out "September 30, 1987" and inserting in lieu thereof "September 30, 1988", and (c) Section 1323(b)(1) of such Act is amended by striking out "For the fiscal year ending September 30, 1987" and inserting in lieu thereof "Prior to September 30, 1988".]

Section 637: Provides for the use of Section 32 funds to purchase sunflower oil to facilitate additional sales at competitive prices in the World Markets.

[Sec. 637. \$10,000,000 of Section 32 funds shall be used to purchase sunflower oil, such purchases to facilitate additional sales of sunflower oil in World Markets at competitive prices, so as to compete with other countries in fiscal years 1988 and 1989.]

This change eliminates this section. The provision authorized \$10 million of Section 32 funds to be used to purchase sunflower oil, to facilitate additional sales of sunflower oil in World Markets at competitive prices for fiscal years 1988 and 1989.

Section 638: Amended the milk-price support program of the Agricultural Act of 1949 so that any reductions in dairy price support programs required by a Sequester Order be achieved through an across-the-board assessment of all milk produced in the United States.

[Sec. 638. Section 201(d)(2) of the Agricultural Act of 1949 (7 U.S.C. 1446 (d)(2)) is amended-

(1) in subparagraph (A) by striking out "During the period beginning on April 1, 1986, and ending on September 30, 1987," and inserting in lieu thereof "Beginning after March 31, 1986,";

(2) in subparagraph (B) by striking out "subparagraph (E)" and inserting in lieu thereof "subparagraphs (E) and (F)"; and



(3) by adding at the end thereof the following new subparagraph:

"(F)(i) The Secretary -

"(I) notwithstanding the Balanced Budget and Emergency Deficit Control Act of 1985 and any order issued by the President under section 252 of such Act for a fiscal year; and

"(II) in lieu of making any reduction in payments for the purchase of milk or the products of milk under this subsection during such fiscal year under any such order;

shall provide for the reduction (measured in cents per hundred-weight of milk marketed) under subparagraph (A) during the period beginning on October 1 and ending on September 30 of such fiscal year as the sole means of achieving any reduction in budget outlays under the milk price-support program that otherwise would be required under either such order and only for the purpose of substituting for any reduction in payments made by the Secretary for the purchase of milk or the products of milk under either such order.

"(ii) The aggregate amount of any reduction under subparagraph (A) resulting from the operation of clause (i) may not exceed the aggregate amount of the reduction in budget outlays under the milk price-support program, as estimated by the Secretary, that otherwise would have been achieved under either such order by reducing payments made by the Secretary for the purchase of milk or the products of milk under this subsection during such fiscal year.".]

This change deletes the entire section. This became part of permanent law.

Section 639: Extended the school lunch pilot project (CLOC) until June 30, 1988.

[Sec. 639. Section 1581(b) of the Food Security Act of 1985 (Public Law 99-198) is amended by striking out "June 30, 1987," and inserting in lieu thereof "June 30, 1988,".]

This change deletes this section. It makes this provision applicable to the school year ending June 30, 1988.







